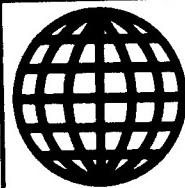


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29 NOVEMBER 1988



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# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

JPRS-UEA-88-044

### CONTENTS

29 NOVEMBER 1988

#### NATIONAL ECONOMY

##### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

|  |   |
|--|---|
| Baku Enterprise Directors Polled on Effects of Perestroyka<br>[S. Mamedov, A. Naibov; <i>BAKINSKIY RABOCHIY</i> , 8 Sep 88]                        | 1 |
| Constitutional Changes on Economic Issues Suggested<br>State Arbitration Board<br>[M. Tsvetkov; <i>SOTSIALISTICHESKAYA INDUSTRIYA</i> , 11 Nov 88] | 3 |
| Powers of Local Soviets<br>[M. Tikhomirov; <i>SOTSIALISTICHESKAYA INDUSTRIYA</i> , 11 Nov 88]  | 3 |
| State Arbitration's Role in Resolving Economic Disputes Discussed<br>[R.A. Khachaturov; <i>EKONOMIKA I ZHIZN</i> No 7, Jul 88]                     | 3 |

##### PLANNING, PLAN IMPLEMENTATION

|   |    |
|---|----|
| Gosplan, Other Officials Discuss Draft Economic Plans<br>[G. Ivanov; <i>PLANNOVOYE KHOZYAYSTVO</i> No 9, Sep 88]  | 6  |
| Gosplan CP Members Meet on Tasks Following 19th Party Conference<br>[ <i>PLANNOVOYE KHOZYAYSTVO</i> No 9, Sep 88] | 16 |

##### INVESTMENT, PRICES, BUDGET, FINANCE

|   |    |
|---|----|
| Origin of State Budget Deficit Examined [Ye.V. Kolomin; <i>FINANSY SSSR</i> No 8, Aug 88]   | 24 |
| Banking Operations, Reforms, Problems Described<br>[S.M. Ignatyev; <i>EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA</i> No 8, Aug 88]                         | 31 |
| Enterprises' Experiences in Issuing Shares Discussed<br>Nikolayev-Lvov Building-Structures Combine<br>[A. Avroshko; <i>SOTSIALISTICHESKAYA INDUSTRIYA</i> , 3 Sep 88] | 37 |
| Lanchukhti Experimental-Production Tea Combine<br>[N. Kinkladze, D. Sadatierashvili; <i>ZARYA VOSTOKA</i> , 3 Sep 88]   | 38 |
| Majority of Readers Surveyed Support Price Reform, Differ on Implementation<br>[V. Kostyukovskiy, V. Shilov; <i>SOVETSKAYA ROSSIYA</i> , 7 Sep 88]                    | 39 |
| Capital Investment in Energy, Machinery, Construction Reviewed<br>[ <i>VESTNIK STATISTIKI</i> No 7, Jul 88]   | 42 |
| New Banks, Financial Institutions Registered with USSR Gosbank<br>[ <i>EKONOMICHESKAYA GAZETA</i> No 43, Oct 88]  | 48 |

#### NATIONAL ECONOMY

##### INDUSTRIAL DEVELOPMENT, PERFORMANCE

|   |    |
|---|----|
| Poor Enterprise Performance Under New Conditions Analyzed<br>[Yu. Kalmykov, O. Yun; <i>PLANNOVOYE KHOZYAYSTVO</i> , Sep 88] | 49 |
|---|----|

##### REGIONAL DEVELOPMENT

|   |    |
|---|----|
| Readers' Letters Express Different Views on Estonian Khozraschet                    | 57 |
| Example of Yugoslavia Cited [S. Sovetnikov; <i>SOVETSKAYA ESTONIYA</i> , 26 Oct 88] | 57 |
| More Details Needed [Yu. Zinkel; <i>SOVETSKAYA ESTONIYA</i> , 26 Oct 88]            | 57 |

## INTRODUCTION OF NEW TECHNOLOGY

- More Complete Information on Technological Developments Urged  
[G. Pushkarev; *EKONOMICHESKAYA GAZETA* No 44, Oct 88] ..... 59

## AGRICULTURE

### AGRO-ECONOMICS, POLICY, ORGANIZATION

- Growth Rates Fail to Keep Pace With Investment [V. Miloserdov; *PRAVDA*, 8 Sep 88] ..... 61  
Uzbek Central Committee Plenum Tackles Agricultural Issues ..... 64  
First Secretary Nishanov Address [*PRAVDA VOSTOKA*, 27 Aug 88] ..... 64  
Plenum Resolution [*PRAVDA VOSTOKA*, 3 Sep 88] ..... 79

## ENERGY

### ELECTRIC POWER GENERATION

- Details of 1978 Fire at Beloyarsk AES Revealed  
[V. Kamenshchik; *SOTSIALISTICHESKAYA INDUSTRIYA*, 21 Oct 88] ..... 83

## HUMAN RESOURCES

- Factors Which Inhibit Social Well-Being Analyzed  
[N.M. Rimashevskaya; *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA* No 7, Jul 88] ..... 86

## LABOR

- Methods Suggested To Curb Illicit Transactions [V. Yaroshenko; *PRAVDA*, 12 Oct 88] ..... 93  
Bunich Analyzes Co-op, State Sector Interrelationship  
[P. Bunich; *SOTSIALISTICHESKIY TRUD* No 8, Aug 88] ..... 95

## EDUCATION

- Need To Improve Continuing Education Training Cited  
[L.N. Lesokhina, T.V. Shadrina; *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA* No 8, Aug 88] ..... 104

## MACHINEBUILDING

### ORGANIZATION, PLANNING, MANAGEMENT

- Current Priorities in Electro-Technical Machinebuilding Outlined  
[V. Vasileva; *SOTSIALISTICHESKAYA INDUSTRIYA*, 13 Aug 88] ..... 107

## TRANSPORTATION

### RAIL SYSTEMS

- Transshipment Problems Examined [V. Seseyskin; *GUDOK*, 23 Aug 88] ..... 109  
BAM Route Passenger Traffic Detailed [V. Chalyy; *GUDOK*, 23 Aug 88] ..... 110  
Shortage of Passenger Cars Discussed  
[M. Kaganskiy; *SOTSIALISTICHESKAYA INDUSTRIYA*, 13 Aug 88] ..... 111  
Work on 2TE-Series Locomotives Continues [A. Tretyakov; *GUDOK*, 25 Aug 88] ..... 113

## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Baku Enterprise Directors Polled on Effects of Perestroyka

18200050a Baku BAKINSKIY RABOCHIY in Russian  
8 Sep 88 pp 1, 3

[Article by S. Mamedov and A. Naibov: "Still Only a Limited Amount of Optimism"]

[Text] The editorial board's mail is an efficient barometer of reader feelings. The problems which are disturbing people today are mainly of an everyday nature. The apartment problem, procrastination with the reform, poor municipal transport operations and complaints regarding the low quality of food products. Letters telling about the collisions between economic life and the radical economic reform were rare last year and also at the beginning of this current year. An suddenly—there is a tornado of mail having to do with this seemingly "academic" theme.

Taking into account the increasing interest being displayed in the radical reform, we decided to devote special interest to the opinion of those people upon whom the reform is primarily dependent—the directors of enterprises and associations. Twenty one directors provided answers to questions contained in a questionnaire prepared by the Baku branch of the Leningrad Financial-Economic Institute imeni N.A. Voznesenskiy and the editorial board of the BAKINSKIY RABOCHIY Newspaper. Included among them were the leaders of enterprises of 12 ministries and departments representing practically all of the republic's national economic complexes—machine building, metallurgical, fuel-energy, chemical-forestry, construction, social and also the cities of Baku, Kirovabad and Sumgait.

If one attempted to single out the chief and dominating factor in the responses by those who participated in the interrogation, then it no doubt would be the loyal attitude shown towards the changes being introduced by the economic reform. Seventy six percent of those questioned indicated that self-financing and cost accounting are producing benefits for collectives or they are promoting an overall improvement in the economic situation. But the responses also involved a certain amount of skepticism: only one out of every three directors believes that the new innovation is expanding his rights substantially. Roughly 4.8 percent are categorically so inclined: cost accounting has not increased the rights of a leader. The majority—61.9 percent—occupy a compromising position with regard to this question.

Approximately 57.1 percent of the directors are of the opinion that cost accounting aids them in solving social tasks, 42.9 percent—in problems concerned with production planning and finances, 33.3 percent—in the

sphere of capital investments, 14.3 percent—in price formation, 9.5 percent—in relationships with co-workers and 4.8 percent—in trade contacts.

An alarming symptom: only two of those questioned acknowledged a expansion of their rights in their inter-relationships with local party and soviet organs and nobody admitted such an expansion with higher authorities. At the same time, almost one half (47.6 percent) of the leaders believe that the upper levels are systematically violating the Law Governing a State Enterprise. This question of the questionnaire was answered in an affirmative manner by the director of the smallest enterprise on our list—the Baku Experimental Furniture Factory, Gikmet Yakhayevich Guseynov and the leader (now the former leader) of one of the "flagships"—the Plant imeni Lieutenant Shmidt, Zulfugar Musayevich Kyazimov. Despite the various "weight categories," the problems being encountered here were very similar—this included a dispute with the higher authority over the plan and mainly—arrogant ignorance of the interests of the labor collective, which brought about a sharp conflict. That which happened in these collectives—a special discussion and it is still not out of place to recall the works taken from the report by M.S. Gorbachev during the 19th All-Union CPSU Conference: "The economic reform could have been carried out considerably better if conservatism within the administrative apparatus had not been such a vital factor."

Today 14.3 percent of the directors refer to the intentional interference of the financial organs in the internal affairs of enterprises, 28.6 percent—to the conservatism of bank workers. One can only sympathize with them: even in the case of such a worthwhile undertaking as the creation of a joint-stock company attached to Glavbakstroy, the republic's Zhilsotsbank complained only after the article appeared in BAKINSKIY RABOCHIY.

Notwithstanding the latter party and governmental decisions, the "outrageous abundance" of committees mentioned by Lenin continued in the various areas. Roughly 42.9 percent of those questioned pointed to the frequent inspections which separated people from their work and which encouraged confusion and irritability. Of this number, two of every three were directors of Minlegprom [Ministry of Light Industry] enterprises, three out of every five—Azneftemash NPO [scientific production association and half—USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry].

Still another situation is continuing—the attempts, condemned during the 19th Party Conference, aimed at "distorting the essence of the reform and filling the new administrative forms with the "old form and content." For example, this included the forcing of enterprises, through state orders, to produce products which were not suitable and not in demand and to disorganize operations through the use of ineffective and ruinous norms. For it was over the state order that the passions of the labor collectives became aroused, collectives which had

tasted the air of economic freedom and ministries which do not like and do not favor free-booters encountering the interests of a rising production democracy and remaining in defense of its "feudal" rights of a bureaucracy. The disputes of enterprises with ministries, owing to the level of a state order, were accepted dramatically and at times were even comical in nature. In a state order, which in accordance with the Law Governing a State Enterprise, must encompass the types of products needed for "solving state social tasks, fulfilling scientific-technical programs, strengthening defensive capabilities and achieving economic independence for the country," enterprises of the Kasmorneftgaz, for example, undertook to turn over scrap materials and metal waste products. Another similar "defensive" item—childrens' toys—was included in the state order of the Baku Instrument Making Plant imeni M.I. Kalinin. Its director, Bakhlul Orudzhaliyevich Akhmedov, did not know what to do in this regard—either to laugh or cry. On the one hand—it was truly a curious happening and on the other—there was nothing to be happy over, since the directive state order had paralyzed the maneuvering of the collective and closed down all of the solutions for a profitable customer.

Nor were the other directors laughing. It was apparent that they were highly disturbed and that their emotions even found their way into the questionnaires: the points bearing upon these questions were here and there checked with exclamation marks in the margins.

Thus only 23.6 percent of the leaders believe in the effectiveness of a state order, 57.1 percent consider it to be unnecessary and 14.3 percent are indifferent with regard to its use. The state order is opposed mostly by the directors of the Azneftemash NPO plants (80 percent) and enterprises of Minlegprom (66.7 percent). The highest proportion of state orders (from 95 to 100 percent) involved work by more than one half of the enterprises and the lowest proportion (from 70 to 75)—14.3 percent. Roughly 85.7 percent of those questioned advocated a reduction in the role played by a state order and only the general director of the Bakstankoprom Association spoke out in behalf of retaining it in its former amount. Nobody voted for an increase.

In connection with a misinterpretation of the idea of a state order, one must obviously ascertain the reasons for the distrustful attitude of a director towards wholesale trade. The logic here is simple: indeed the means of production in this instance are purchased for that portion of the plan which is not included in the state order. True, the very idea of wholesale trade is supported by a majority (76.2 percent) of the directors and yet their evaluation of the practical changes which have taken place in logistical supply following the conversion over to cost accounting is more humble: only 9.5 percent of those interrogated find these changes to be important, 42.9 percent—spasmodic in nature and 38.1 percent do not believe that any improvements have taken place.

In all probability, not everyone of us is aware that the word "stimulus," the essence of which implies stimulating motives for labor, means "stick" in the literal translation from latin. Paradoxically, the primary and original meaning of this word coincides and coexists with today's realities: new economic mechanism, reform, self-financing. Is it really a stick or a club for the labor collectives when the norms for the distribution of profit, norms which serve as a powerful pump for pumping out the funds earned by enterprises, are transformed? It is impossible to count the number of examples. The ministry referred to the Azerelektrosvet Association as being predatory—this was the only way to describe it—a norm: only one fifth of the profit earned remains at its disposal. In the case of the Azerelektromash Association—one fourth. The Khimprom PO [production association] was more fortunate: here one half of the profit belongs to the collective. But this is not saving the chemists: the social programs are threatened and particularly housing: there is a shortage of funds.

The responses by the directors to this group of questions on the questionnaire are not distinguished by optimism. Roughly 71.4 percent of them believe that the established norms are unsound, 46.7 percent believe that they copy the old system for the distribution of funds and more than one half maintain that too much funds are being withdrawn by higher organizations and also for the budget. Roughly 57.9 percent of the directors pointed to a shortage in the fund for social development and one out of every three—in the fund for production development. And still there is more information concerning the "stick": less than one fourth of the leaders consider the system for stimulating savings in material resources to be perfect, citing among its vices the inadequate training of personnel, the lack of development of local cost accounting operations and poor organization of accounting and the warehouse economy. If not the directors, then who else has a better understanding of the vital nature of the statement made during the August (1988) Plenum of the Central Committee of the Communist Party of Azerbaijan: "How can we possibly discuss interest in this worker if he obtains only 7 kopecks for each ruble saved?"

Today, 8 months after the Law Governing an Enterprise entered into force and following our humble achievements and disheartening failures in mastering the radical reform, the words of Lenin "The period for propagandizing by decrees has passed. The masses will comprehend and evaluate only business-like practical work and practical success in economic and cultural work," will never be more timely. Since, as mentioned during the August (1988) Plenum of the Central Committee of the Communist Party of Azerbaijan, the republic's entire production sphere of operations will convert over to the new managerial conditions next year, concern should be displayed for ensuring that the mistakes of the initial period of the reform are not repeated.

**Constitutional Changes on Economic Issues Suggested**

**State Arbitration Board**  
*18200079a Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian ll Nov 88 p 3*

[Letter from M. Tsvetkov, chief state arbiter of Smolensk Oblast: "To Strengthen the Role of Gosarbitrash"]

[Text] The 19th CPSU All-Union Party Conference resolution "On Legal Reform" emphasized that under the conditions of economic reform and the introduction of economic accountability and self-financing the need arises for broadening the powers of the State Board of Arbitration in the matter of strengthening contract discipline and defending the rights of enterprises and cooperatives. Unfortunately, this is not reflected in the Draft Law on Amendments. Therefore, in Chapter 20, "The Court and Arbitration," Article 163, I propose for the next edition: "Defense of the existing rights and those protected by the Law in the interests of enterprises, institutions, organizations, and cooperatives as well as resolving economic disputes between them is to be carried out by the organs of the State Arbitration Board. The organization and procedures of the State Arbitration Board organs' activities are determined by the Law on State Arbitration in the USSR."

The adoption of this article would signify that the State Board of Arbitration defends the rights and interests of enterprises and cooperatives not only in resolving disputes between them, but also in cases of disputes with higher organs, as well as with control organizations in disputes over improper use of economic sanctions.

**Powers of Local Soviets**  
*18200079b Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian ll Nov 88 p 3*

[Letter from M. Tikhomirov, candidate of juridical sciences: "In the Interest of the Economy"]

[Text] Today no one doubts that as a result of the reforms of the political system of the soviets their rights in the area of the economy should also be broadened. It is important that the law guarantee these rights for them.

The Congress of People's Deputies of the USSR confirmed the long-range state plans on the most important All-Union programs of economic and social development of the USSR. In my view this is insufficient. It would be justified to turn over to the competence of the Congress the resolution of all of the most important problems of economic and social development of the USSR.

In order for the Congress to become a working and genuinely democratic forum, it is important not to limit its powers only to confirmation of prepared and in many cases already decided issues. The deputies should have

the chance to discuss, independently prepare, and adopt the most important economic-legal decisions. Therefore, in point 5, Article 108, of the Constitution it would make sense to reflect the fact that decisions on the most important problems of economic and social development, affecting the interests of the USSR, be given over to the exclusive competence of the Congress.

This approach should be disseminated to the higher organs of state power of the union and autonomous republics. Therefore, in the corresponding articles of the USSR Constitution (points 10 and 13 of Article 108 of the Draft Law) it should reflect that the Congresses of People's Deputies of the union and autonomous republics resolve all the most important questions of social-economic development affecting the interests of these republics.

We should also think seriously about the local soviets. In past years their participation in directing the economy was clearly insufficient. One of the reasons for this was the weakness of legislative regulations. Now the question of preparing the USSR law on local self-management is on the agenda. It requires the corresponding constitutional prerequisites. These do not exist now. The relations of the local soviets with enterprises located on their territory remain without changes. This question requires a constitutional decision.

That is why, in my view, Article 146 should indicate that the local soviets confirm the comprehensive combined plans encompassing all enterprises on their territory as well as the local budgets on the basis of long term economic normative deductions from enterprise profits. It would make sense to reflect in Article 147 of the Constitution that the local soviets insure the rational use of natural and labor resources; organize the mutual activity of all enterprises, institutions, and organizations located on their territory regardless of subordination; and assist the development of cooperatives and individual labor activity.

**State Arbitration's Role in Resolving Economic Disputes Discussed**

*18200012a Tashkent EKONOMIKA I ZHIZN in Russian No 7, Jul 88 pp 19-20*

[Article by Robert Albertovich Khachaturov, UzSSR jurist and chief state republican arbitrator: "Seeking the Truth in Arbitration"]

[Text] Beginning with this issue, our journal begins a new column—"Seeking the Truth in Arbitration", in which we will provide various examples of solutions to economic disputes, as well as advice on questions of economic law. In addition, we will also publish new legislative acts dealing with the regulation of economic activities, instructive directives from USSR and UzSSR Gosarbitrash

[State Board of Arbitration], individual standard contracts, and special conditions. The man permanently in charge of this column is the honored UzSSR jurist and Chief State Republican Arbitrator Robert Albertovich Khachaturov]

The question of setting up an appropriate system of legal support for the country's economic life during its radical restructuring is becoming particularly urgent. In fact, not only is the external aspect of the ties between enterprises and institutions changing, but their intrinsic internal content as well.

In this regard, our state arbitration organs are becoming more important, as is their responsibility for rigorously protecting the rights and interests of enterprises and organizations under deepening socialist democratization, full economic accountability [polnyy khozraschet], self-financing and intensified economic methods of administration and economic operation.

All this has necessitated continued improvement and restructuring of the work of the state arbitration organs, as reflected in the CPSU Central Committee and USSR Council of Ministers decree of 12 February 1987 "Further Improving State Arbitration Organs and Enhancing Their Role in Intensifying Legality and Contractual Discipline in the National Economy" and the Ukase of the Presidium of the Supreme Soviet of 18 February 1987. What are the general features of these changes and what innovations have been made in state arbitration?

First we should mention the new powers granted to State Arbitration organs. For example, the right to see that enterprises meet their legislative requirements regarding questions of concluding contracts, carrying out obligations, applying property sanctions for violations and pre-arbitration settlement of economic disputes, as well as the practice of organizing and leading this effort in the ministries and departments.

**The State Board of Arbitration now has the right to obtain from ministries, departments, institutions and organizations their assigned report data on concluding and executing contracts, and to hear reports from officials on measures to eliminate violations of the law when concluding contracts and meeting obligations.** This will doubtless impart a high degree of objectivity and importance to arbitrators' decisions.

**An important way to influence enterprises, institutions and organizations is by granting State Arbitration bodies the right to give their managers and other officials mandatory written directions for eliminating violations of procedures for concluding contracts and pre-arbitration settling of economic disputes as well as directions for handling the problems associated with making persons who break the law in their economic activities materially accountable for the damage caused when such violations are exposed by State Arbitration organs.** The mandatory

directions on eliminating violations of the law which are discovered when settling economic disputes can be provided by State Arbitration when checking up on the work of courts of arbitration of ministries, departments and other organs which settle economic disputes. These directions must be carried within 10 days and a report on the results made to the appropriate State Arbitration body.

**The State Board of Arbitration's opportunities for protecting the rights of enterprises from departmental dictates are being expanded.** Thus, in accordance with point 3 of article 9 (paragraphs 2 and 3) of the Law on the State Enterprise, ministries, departments and other superior organs can give an enterprise directives only in accordance with the limits of its rights as prescribed by law. Should a superior organ issue a legal document which is outside the field of its competency or which violates legal requirements, the enterprise has the right to appeal to the State Board of Arbitration with a petition to acknowledge this legal document as being either partially or completely null and void. And losses suffered by an enterprise as a result of having obeyed a superior organ's directive which violated the enterprise's rights, as well as losses suffered as a consequence of a superior organ improperly meeting its obligations to the enterprise are, subject to restitution by said superior organ. State Arbitration organs shall settle disputes concerning the restitution of losses.

It has also been established that normative acts published by USSR and union republican ministries and departments on questions of concluding and implementing economic agreements (mandatory for other ministries and departments and their subordinate enterprises, institutions and organizations) must be agreed upon in the appropriate state courts of arbitration ahead of time.

A great many of the innovations in State Arbitration work were defined in the decrees "USSR State Arbitration" and "Rules for Examining Economic Disputes by State Arbitration Organs," which were approved by the USSR Council of Ministers in April of this year.

In particular, the new Decree provides for the USSR State Board of Arbitration to publish (within the limits of its field of competency) instructive directives which are mandatory for ministries, state committees, departments, enterprises, institutions and organizations and which deal with applying the USSR's laws when settling economic disputes and when settling them outside courts of arbitration, as well as when carrying out contract jobs in enterprises, in institutions and organizations. The USSR State Board of Arbitration has been authorized to suspend the action of acts issued by union republic state arbitration bodies where they do not correspond with instructive directives issued by the USSR State Board of Arbitration and to declare invalid, or change, instructive directives issued by union republic state boards of arbitration when they deviate from USSR State Board of Arbitration instructive directives.

The USSR State Board of Arbitration, jointly with those USSR ministries, state committees and departments which perform intersectorial administrative functions, is working up and publishing directives related to questions of organizing work on concluding economic agreements.

That these powers are highly important during the changeover of the entire national economy to full economic accountability and self-recoupment goes without saying. Thus, wherever superior organs of enterprises, institutions and organizations issue normative acts on concluding and implementing economic agreements and these acts deviate from the law, the USSR State Board of Arbitration can ask the organ approving the act questions about bringing it into line with the law. The organ then has one month to deal with the question and report to the USSR State Board of Arbitration on its decision.

Some of the major economic disputes concern problems having to do with fulfilling delivery contract obligations promptly and exactly. The above-named decrees provide a detailed elucidation of the procedure for settling such disputes.

In the article in the Regulations entitled "The Exclusive Jurisdiction of Economic Disputes" it states that disputes related to deliveries of poor-quality or incomplete lots of output, for which a number of parties are at fault, are examined by a state board of arbitration where the output's responsible manufacturing party is located. And if the output was manufactured by several parties—the case is investigated at the location of the responsible supplier.

**Disputes involving missing products**, for which several parties are responsible, are looked into by a state board of arbitration at the location of the output's shipper. Disputes over missing output which has been reinvoiced by the shipper without unsealing the manufacturer's boxes or transport packing are investigated at the manufacturer's location. In cases involving the reinvoicing of output manufactured by several parties, the investigation takes place at the location of the shipper from whom the output was received.

**Disagreements arising from shipping contracts** in which one of the responsible parties is a transport organ are investigated by a state board of arbitration at the location of the transport organ.

Disputes which occur when concluding, amending, abrogating or executing contracts for exporting or importing goods (including disputes resulting from shipping contracts), if one of the parties is a foreign trade organization, are investigated by a state board of arbitration at the location of the foreign trade organization. If the foreign trade organization is located in the city of Moscow or the Moscow Oblast, the disputes are investigated by the Moscow Oblast State Board of Arbitration, except for those disputes which are subordinated to the USSR State Board of Arbitration and the RSFSR State Board of Arbitration.

**Disputes over restitution of losses to state enterprises (associations)** and the organizations of the superior organs of union and republican (union republic or autonomous republic) subordination are looked into by the USSR State Board of Arbitration and the union republic or autonomous republic state board of arbitration, respectively. Disputes over restitution for loss paid by local superior organs are investigated by kray, oblast, city, autonomous oblast and autonomous okrug state boards of arbitration.

Those persons who have the right to review decisions are established in the following article.

A review as part of the USSR State Board of Arbitration's supervision of a decision based on a petition from a ministry, state committee or USSR department, or based on an appeal from the USSR General Procurator, or a decision made by the chief state arbitrator of a union republic, a decision related to an economic dispute having important public importance (by directive of the USSR Chief State Arbitrator), as well as a decision made in the USSR State Board of Arbitration, is made collectively by the staff of the USSR Chief State Arbitrator or his deputy (acting for him) and two state arbitrators of the USSR State Board of Arbitration. In other cases, decisions are reviewed individually by the USSR Chief State Arbitrator or his deputy.

**The USSR State Board of Arbitration and the union republic state boards of arbitration have the right to review, on their own initiative, any decision made by a lower-level state board of arbitration.**

We will provide a more detailed explanation of individual points of the Regulations and the other normative acts for regulating economic activities in subsequent articles in this column and in examples of settlements of disputes dealing with specific matters. Send us your questions for answers and advice by jurists of the UzSSR State Board of Arbitration.

## PLANNING, PLAN IMPLEMENTATION

### Gosplan, Other Officials Discuss Draft Economic Plans

18200028b Moscow *PLANOVYE KHOZYAYSTVO* in Russian No 9, Sep 88 (signed to press 24 Aug 88)  
pp 40-54

[Joint discussion conducted by G. Ivanov, under rubric "Theory and Practice of Planning": "Planning of the National Economy Under Conditions of Complete Cost Accountability and Self-Financing"]

[Text] In connection with the preparation of the drafts of the plans for economic and social development, the magazine's editorial office has requested a number of USSR Gosplan specialists and scientific and practical workers to express their recommendations.

**B. P. Plyshevskiy** (doctor of economic sciences). The question of plan indicators and the ways to improve them should be viewed in two aspects—the historic aspect, which presents the mechanism of planning and administration in its development, and the modern aspect, from the point of view of the tasks, as well as the prospects for its restructuring. Economic science obviously has lagged behind both in analyzing and generalizing the past experience and its merits and shortcomings, and in developing practical recommendations for improving the economic mechanism that has formed in our country, proceeding from the requirements of raising the level of scientific substantiation of planning and its role in the efficient renovation of the Soviet economy. The systems of plan indicators which were employed at various times, the purpose of those indicators, and the methods of defining them have been described in detail in the economic literature. At the same time, one cannot see any serious theoretical interpretation of the place of these indicators in the overall system of administration, in guaranteeing the proportional development of the economy and of the democratic principles of administration, in satisfying public needs, or in increasing the effectiveness of the work performed by the enterprises and branches.

A change in the system of plan indicators is inseparably linked with the evolution of the development in the past of the practice of centralized planning—with the intensification of its directive nature and the methods of employing administrative commands to organize the fulfillment of the plans, and with the gradually weakening of the economic instruments for administering the national economy. One can isolate the following peculiarities of that system: the expansion of the list of indicators to be planned and the intensification of the responsibility for fulfilling them; the increase in the effective life span of the plan indicators as a result of the changeover from currently plans to long-range ones and of the expansion of the planning horizon; the tendency chiefly toward an increase in the number of in-kind, technical-economic indicators, with a lessening and

underevaluation of the role played by the value and financial indicators, which gradually, to a greater and greater degree, lost their functions as regulators of production and the distribution and circulation of output; the orientation of the value indicators on the growth of the volumes of the output to be produced, irrespective of its effectiveness and quality, and hence the gap between the plan indicators and the evaluation of the extent to which the created output and the operations fulfilled meet public needs; the search for multipurpose, through indicators, the attempt to have them encompass all branches and levels of administration, which was expressed most clearly in the expansion of the sphere of application of the indicator of gross (commercial) output and a large number of planned assignments resting upon it.

The plan indicators gradually changed from being an instrument to mobilize the upsurge of the economy and the public standard of living, into being elements of an inhibitory mechanism which, in the late 1970's and early 1980's, led the national economy to stagnation and a precrisis situation. The methodology and practice of establishing them and the system of monitoring their fulfillment became one of the reasons for the violation of proportionality, for the gap between production and consumption, for the intensification of the shortage of commodities and services, and for the fact that enterprises and individual workers had less of a self-interest in increasing the effectiveness of their activity. All this reflected on the effectiveness of the plans and the attitude toward them. The attempt to construct a universal system of indicators, to make most of them through indicators for all levels of planning, and to unify them ended in failure. In addition, the idea that became stronger in the minds of many economists and administrative workers, in the theory and practice of planning, was that the plan indicators must be simultaneously evaluating indicators that characterize the results of the work performed by the enterprises and branches. The conservatism and limited nature of this approach were subjected to criticism at the 19th All-Union CPSU Conference. This path, as was attested to by the experience of the economic experiments and the results of the work performed by the associations and enterprises under conditions of complete cost accountability and self-financing, leads down a blind alley. Small corrections are incapable of guaranteeing the acceleration of scientific-technical progress or the intensification of production or subordinating it to the guaranteeing of social needs.

**In order to improve the plan indicators, in our opinion, we must create the following prerequisites:** the steady reduction of the share of the state production order; the more decisive introduction of the second model of cost accountability, which is based on the quota distribution of income; the development of the lease contract, cooperative forms of activity, and wholesale trade as early as the current five-year plan; the gradual replacement of the large number of individual quotas by taxes on profit (the enterprises'

cost-accountable income); the expansion of the enterprises' independence in resolving questions of the payment of labor and pricing; the reduction of the number of indicators to be planned; the differentiation between plan indicators and evaluating indicators.

The list of plan indicators for the basic production link has been defined. In general, the plan indicators at the branch or territorial level must, conform to it. The indicators at the national-economic level (on the whole for the economy, the complex of branches, the union republics) do not have to be made known to the enterprises. There can be many fewer evaluating indicators than the number to be planned. Of course, for every indicator to be planned, it is necessary to have the corresponding reports, using them for the purpose of analysis and decision-making. But it is by no means mandatory to use, for example, the indicators of the increase in labor productivity, the reduction in production costs, the lowering of the technical level of production, or the economizing of material expenditures as evaluating indicators. The latter, with the reinforcement of economic methods of administration (by way of the state production order, prices, stable quotas, taxes) could be limited to the taking into account of the fulfillment of contracts and the size of the derived profit and the obligations to the budget. As for in-kind evaluating indicators, they should be reduced to the fulfillment of the plans for the production of output, and to the carrying out of operations encompassed by the state production order. Monitoring and regulation of the remaining plan indicators should be carried out, with the passage of time, chiefly by way of the system of contracts and the finance-credit mechanism, so that they will orient the enterprises' activity toward supporting the approved volumetric and qualitative indicators, the list of which can be reduced.

One can also discern in this regard the answer to the question of the gauges of the overall volume of production in industry. First of all, it will be necessary to take all steps to expand the sphere of application of net output and such a modification of it as the conventionally net output, and on their basis to determine the planned assignments and report data in the processing branches. One would scarcely think that net output is a universal gauge of the volume of production, which is capable of replacing the gross value indicators that predominated previously. Its use is justified only in the event that it is employed alongside of other differentiated indicators that reflect the branch peculiarities of production. The changeover to this scheme for determining the plan indicators will be carried out, obviously, in stages. Within the confines of the five-year plan that is coming to an end, it is inevitable that the approaches that developed previously and the new approaches will coexist. It is necessary, however, as early as the 1989 plan to implement to the maximum degree the new concept of centralism and especially to take it into consideration more completely and more consistently in the plan for the 13th Five-Year Plan.

A. L. Mukoyed (department chief, USSR Gosplan). I would like to note first of all the fundamentally new approach to the problems of territorial planning that evolves from what was set down at the 19th All-Union CPSU Conference—the political reform in the country, the rebirth of the complete authority of the soviets at all levels, and the increase in their role and responsibility in carrying out the party's economic, social, and national policy. The implementation of these decisions opens up broad opportunities for the economic growth of all regions of the country, and for the best consideration and coordination between the regional interests and the nationwide ones.

Until recently the economic status of individual regions depended, to a large degree, upon the branch agencies and, to a lesser degree, upon the local authorities. The territorial agencies frequently acted alternately in the role of suppliants or as critics of the actions taken by the branch ministries and departments, and that led to disproportions and conflicts, to the disruption of planned assignments, and to a "dependant" frame of mind. Currently, with the reinforcement of the rights granted to the soviets of people's deputies, one can see forming a favorable situation for the comprehensive development of the regions. The center of gravity in the work of combining the territorial and branch interests is shifting to the outlying areas. At the same time, the granting of independence to the enterprises and their changeover to self-financing and complete cost accountability require a change in their interactions with the local soviets of people's deputies. A new financial mechanism is being created for the formation of a republic budget and a local budget on the basis of stable economic quotas. In 1989 it is planned to conduct an experiment in three union republics, one autonomous republic, one oblast, and Moscow, to work out the system of forming the republic-level and local budgets on the basis of stable economic quotas. At the present time USSR Gosplan and USSR Minfin [Ministry of Finance] are preparing the appropriate methodological principles for this system. The system will include quotas for the income part of the budgets; payments from the enterprises' computed profit; payment for labor and natural resources; and deductions from nationwide taxes and income. When the expenditure part of the budgets is being determined, use will be made of social quotas being developed by USSR Goskomtrud [State Committee for Labor and Social Problems], as well the quotas for specific expenditures for constructing projects in the production infrastructure. Our computations indicate the possibility and desirability of introducing the system of budgetary quotas also for the oblast and republic (without division into oblasts) levels. It must be hoped that the planned experiment will proceed successfully, and this will make it possible in the 13th Five-Year Plan to convert the social and production infrastructure to the principles of territorial self-financing.

Improvement is needed in the practice of implementing a principle stipulated by the USSR Law Governing the State Enterprise—the principle of having the enterprises

coordinate their draft plans with the local soviets for the group of questions that pertain to their competency. For the questions that are of greatest importance for the region and that affect the interests of several enterprises, in addition to the coordination of the draft plans, economic contracts (agreements) will be concluded with the soviet of people's deputies. It will be necessary to develop target regional programs, creating on a shared basis the nonbudgetary funds of financial resources.

And there is one more important problem. Under conditions of the expansion of the enterprises' economic activity and the reduction of the sphere of directive planning, it has become necessary to search for new effective economic means of carrying out the state regional policy. What do we have in mind? A number of poorly assimilated regions in the country have at their disposal major reserves of mineral, timber, energy, and water resources. In order to assimilate them most quickly, we must create a system of economic measures. One can see the effect of a recommendation that deserves attention—the recommendation to create a target fund for regional development. With its help one could compensate for the additional expenditures for the construction and operation of enterprises in the poorly assimilated locations as compared with similar projects in the built-up rayons; one could carry out the financing of the construction of large-scale projects in the production infrastructure that are importance to the entire region (construction base, transport communication lines, energy projects, material-technical supply bases, engineering structures for an entire concentrated area, as well as projects in the social infrastructure) and to expand the existing enterprises situated in territories that are inhospitable to human habitation. It is necessary to proceed from the principle that the regional development fund can be expended for the purpose of creating and expanding potentially profitable enterprises, that is, they make it possible, for example, to bring into use the resources with favorable technical-economic indicators and quality features. Upon the expiration of the period of increased expenditures, these enterprises should be producing profitable output in order to pay back as quickly as possible the initial expenditure, and in order for the state to receive a profit. These measures would make it possible to overcome the lack of self-interest on the part of the branch agencies in creating remote enterprises. In our opinion, the methodological questions can be resolved right now, and the more specific ones can be taken into consideration when developing the new five-year plan.

**E. B. Figurnov** (doctor of economic sciences). In order to implement successfully the laws governing the state enterprise and cooperatives, and in order to increase the effectiveness of the national economy, it is time to carry out fundamental changes in planning. One sometimes hears references to the fact that the requirements stipulated by the radical economic reform will not go into effect completely until the 13th Five-Year Plan, and that

at the present time we can limit ourselves to the preparation of recommendations. One can scarcely agree that this is correct. Even today it is necessary to work more dynamically to convert the five-year plan into the basic form of implementing the goals and tasks of developing the economy, of guaranteeing the complete fulfillment of the requirement stated in the Law Governing the Enterprise. What, then, can and must be done in the course of developing the plans for 1989 and 1990 in order to assure that, by the beginning of the next five-year plan, the Law Governing the Enterprise will be observed in planning? First, we must prevent any distortions of the essence of the state production order. The inclusion in the state production order of most of the output of mass and series production that is needed by the cost-accountable enterprises, factually speaking, excluded the consumer from the process of forming the producers' production program. As a result there was an intensification of the monopoly situation of the producers, and a failure to implement the requirement of the reform to the effect that the satisfying of the consumers' demands is the chief goal of their activity.

Speaking at the July 1988 Plenum of the CPSU Central Committee, M. S. Gorbachev remarked that, in the next two years, it is proposed to introduce a provisional statute governing the state production order, keeping in mind the fact that the complete embodiment of the idea of the state production order can be carried out only in connection with the changeover to the wholesale trade in producer goods and with a reform in pricing.

It is important to proceed from the objective premise that proportionality will be achieved only when the producer produces precisely what the consumer needs. And an economic contract concluded between them will become a guarantee of the proportionality of production and consumption. The task of planning consists not in determining on a directive basis the production volumes to be produced by the enterprises, but in having a clear view of the future prospects, in striving for the proportionality between demand and the production capacities.

State production orders must be limited to the most important types of output. For the other types of output, the enterprises are informed only of the control figures for production volumes, for the purposes of concluding contracts, and also the control figures for currency proceeds. With this approach the economic ties and the production programs are determined by the consumers, and the possibility of having unnecessary output forced on anyone is precluded. USSR Gosnab and USSR Gosplan would be able to consider and to resolve by economic methods any questions of defending the consumers' interests, and of balancing production and the need for output. It is desirable to expand the practice of application of contract prices, and to change the prices of output that does not have any demand, or that is in scarce supply. This provides the opportunity to preclude any excessively arbitrary administrative methods, and to change over to the wholesale trade in producer goods by

this five-year plan. There will be an expansion of the enterprises' independence in forming the plan and an increase in the consumers' authority in the management system.

The changeover to the new methodology of planning requires substantial changes in the procedure of establishing economic quotas. Also, there is a need not for just any economic quotas, but only equally strenuous ones for the various enterprises that are to be changed over to complete cost accountability at the beginning of next year. It will be necessary to intensify the scientific substantiation of the economic quotas, and also to make them equally strenuous when they are being refined as a result of the introduction of new prices as of the beginning of 1990.

**O. M. Kulak** (subdepartment chief, USSR Gosplan). The development of the draft of the Concept of the Country's Economic and Social Development for the Period Until the Year 2005 is coming to an end. As is well known, the system of plans includes the Basic Directions for the Economic and Social Development of the USSR for the Next 15 Years and the State Five-Year Plan. **The developments that must become the link that unites the Concept and the Basic Directions are the new preplan developments—the target goals of planning.** This is a fundamentally new element in planning activity, and one that requires thorough interpretation and theoretical substantiation, as well as a high level of methodological and organizational support. The ear-marked goals of planning are intended for the USSR ministries and departments and the Councils of Ministers of the union republics, in order to provide them with assistance in determining the following on a scientific basis: the long-term prospects for the development of the subordinate branches; and the comprehensive development of the union republics and regions on the basis of the national-economic goals, priorities, and the needs of the economy, with a consideration of their balanced status in the single national-economic complex. The soviets of people's deputies must join in this work at the appropriate levels. The enterprises (associations) are not informed of these goals by the USSR ministries and departments or the union republics.

The target goals of planning are not mandatory directive assignments, and do not contain any elements of planning conducted by administrative fiat. They are supposed to inform the USSR ministries and departments and the union republics about the nationwide national-economic needs for output, operations and services to the extent that the ministries and union republics do not have the appropriate information. At the same time they leave the ministries and the republics a broad area for the independent choice of economic decisions and for substantiating the paths of their long-term development.

It is recommended that the target goals of planning will be developed in a differentiated manner for each of the three forthcoming five-year plans. And whereas, for the

15th Five-Year Plan, only the most general parameters for developing the national economy and its complexes will be set down, for the period until the year 2000 they must guarantee not only the fulfillment of the assignments of the 28th CPSU Congress, but must also substantiate their attainment in a more thorough and complete manner. For the forthcoming five-year plan, the target goals will be subject to more detailed development, but they will not yet contain in complete measure the elements of cost-accountable activity, including control figures, long-term quotas, state production orders, or the limits of resources to be distributed on a centralized basis. This task must be fulfilled by the initial planning data that will be communicated to the enterprises to enable them to develop their own five-year plans. But, at the same time, the target goals must already include a definite amount of information that will enable the ministries and departments to plan, as part of the recommendations for the draft of the Basic Directions, the indicators that characterize the cost-accountability relations that should be examined and taken into consideration by USSR Gosplan when preparing the initial planning data.

All this requires new approaches to determining the purpose and makeup of the target goals of planning and their formation. Their makeup is determined by the overall long-term economic and social tasks, by the parameters and proportions of the development of the national economy, its spheres, complexes, and its branches, which have been set down in the approved version of the Concept. They must not only reflect, but also render in concrete form the principles of the Concept in the corresponding indicators and in the specifically addressed cross-sectional view.

**V. N. Ogorov** (deputy department chief, USSR Gosplan). Despite the steps that were taken to change the forms and methods of centralized planning on conformity with the principles stated in the USSR Law Governing the State Enterprise (Association) and other documents concerning the fundamental restructuring of the administration of the economy, it has not yet been possible to guarantee this combination in 1988. The state production plan that was made known to the enterprises, associations, and organizations left practically no place for initiative or entrepreneurship. In order to prevent similar errors, it is necessary to assure the complete and precise fulfillment of the USSR Law Governing the State Enterprise (Association). No superior agency has the right to inform the enterprises, as part of the control figures, economic quotas, and limits, any indicators that exceed the list defined by the USSR government. Consequently, other than the economic quotas made known to the enterprises outside of the plan, all the remaining indicators stipulated by the makeup of the control figures and limits for 1989 are determined only by USSR Council of Ministers in the state plan for the economic and social development of the USSR. Any attempt by a ministry or department to regulate in a directive manner the activity of an enterprise by any indicator must be

viewed as a violation of the requirements of the law. A special place in combining the planning principles with the economic independence of the enterprises and associations belongs to the state production order, which for 1989 is formed on a basis differing fundamentally from the one that formed in 1988. Despite the considerable reduction in 1988 of the products list for output (operations, services) that are planned in a centralized manner, the state production order this year encompassed in many instances the entire volume of production of that output and basically reproduced the elements of the previously established directive plan for production. For 1989 it is determined on the basis of the need to satisfy only the first-priority social needs. There has also been a fundamental reorientation of its makeup: it includes, as a rule, only those types of output (operations, services) that are actually necessary to resolve the highest-priority tasks in the development of the economy (the implementation of the achievements of scientific-technical progress; the guaranteeing of progressive structural shifts in social production, and the guaranteed satisfying of social needs and the needs of defense). The state production orders for 1989-1990 are characterized by peculiarities that are typical of the period of growth of the economic mechanism. They are being formed and will be fulfilled during the final years of the 12th Five-Year Plan. Extremely complicated work lies ahead of us. It will be necessary, with a consideration of the experience accumulated during the preparation of the state production orders for 1989 and 1990 to form, as part of the initial planning data for 1991-1995, the state production orders for the 13th Five-Year Plan.

**B. A. Rayzberg** (doctor of economic sciences, professor). One sometimes hears the opinion that planning has lost its importance as an advantage of the socialist system of management, and that the state plan is incompatible with commodity-monetary, contractual, and market relations. Such views appeared for a number of reasons, in particular as a result of the mistakes that had previously been made in the management sphere—unjustifiably rigid directive and specifically addressed planning, that shackled the initiative and independence of the labor collectives and hampered cost accountability and the development of contractual principles. It must be admitted that centralized planning is possible not only in the directive form. It can be target-oriented, guiding, normative, and, in the final analysis, even recommendational. Rejection of planning by fiat, "from the top down," as the universal form of planning work means not the departure from centralized planning in general, but only a definite narrowing of its framework, and, most importantly, the shifting of the emphases, the changing of the sphere and the nature of the action of the state plan. It is necessary today for the state plan to resolve the very important task of forming the rules and terms for economic behavior in the form of a system of quotas. We cannot get along without this kind of centralized planning.

But in 1988 USSR Gosplan, USSR Gossnab, and the ministries and departments made known to the enterprises and associations the state production order for shipments of an excessive number of planned items, and this limited the independence of planning at the bottom, at the level of the basic link. Everything in that practice was not as simple or obvious as one sometimes thinks. First it was recommended that, under conditions of the action of the new economic mechanism, when the wage fund becomes proportional to the volume of output to be produced, there arises a "production-order chase." Alas, this has not occurred. The inertia of directive planning has also been engendered by the fear that the conditions have not yet been prepared for the energetic rejection of it; shortages are being preserved; and the wholesale trade in producer goods has not been introduced. One cannot fail to keep in mind the fact that in this situation the unjustifiably sharp reduction in the volume of the state production order is capable of leading to an aggravation of the shortages, and to the producers' refusal to ship the necessary output to the consumers. We might note that a number of enterprise managers expressed their opinion only against having the output being produced by the enterprise be included in the state production order, but when the topic of discussion began to be the shipments of output to that enterprise, the director's point of view changes to the diametrically opposite position—"include it in the state production order!" The question arises: can the situation occur in which the draft of the state plan that has been developed by central planning agencies will not correspond to the five-year and annual plans of the associations and enterprises, which, according to the USSR Law Governing the State Enterprise, are developed and approved by them independently? In order to prevent this discrepancy from occurring, it is necessary, in the course of restructuring the methodology and organization of national-economic planning at all levels, to take steps to minimize the discrepancies between the state plans for economic and social development and the association and enterprise plans. In our opinion, there are two methods of resolving the problem. First, it is necessary as soon as possible to have USSR Gosplan make known to the enterprises the state production order, and to have USSR Gosplan, the Gosplans of the union republics, and the ministries and departments make known to them the preliminary initial data to enable them to develop their own plans (control figures, economic quotas, limits), in order to create a real opportunity to coordinate them with the basic link of social production. Secondly, it is necessary to take into consideration more exactly the indicators that were collected "from below" for the approved plans of the associations and enterprises, and on the basis of synthesizing them, to prepare the optimal plan.

**S. M. Polotskiy** (deputy minister of USSR petrochemical and petroleum-refining industry). A problem that appears to be a crucial and valid one is the problem of granting the enterprises the right to distribute independently from the economic-incentive funds the profit remaining at their disposal, or the cost-accountable

income. The question of the independent distribution of money between the fund for the development of production, science, and technology and the social-development fund, practically speaking, has been resolved for a number of ministries, and also for all the scientific-research and construction-planning and design organizations that were changed over to complete cost accountability and self-financing starting in 1988. Other enterprises operating under conditions of complete cost accountability, if necessary, can use for housing construction not only the money in the social-development fund, but also the money in the fund for the development of production, science, and technology. It would be logical to grant the enterprises the right to form a single fund for production and social development, keeping in mind the distribution, after coordination with the labor collectives, of all the funds remaining at their disposal, along the channels of expenditures, including the funds going into the payment of labor. **The quota correlation between the increase in labor productivity and the average wages must be the limiter (upper limit) (for channeling the funds into the payment of labor).** The monitoring of the observance of this correlation must be intensified. In our opinion, also with the second form of cost accountability, despite the fact that a single fund for the payment of labor is formed as the balance part of income, one should not reject the establishment by the enterprises of the quota correlations between the rise in labor productivity and the average wages. It is precisely by way of this correlation, rather than by way of the introduction of a tax on the funds for payment of labor, as has been proposed by certain economists, that centralized regulation must be carried out between the measure of the effectiveness of labor and the measure of consumption by way of the monetary wages.

We also assume that the indicator of net output for measuring labor productivity, to the application of which the enterprises in our ministry changed over starting in 1987, must be preserved also with the second economic model of cost accountability, although this indicator will not be used to form the wage fund, inasmuch as the fund for the payment of labor is formed on the basis of the final balance income.

**V. M. Sychev (department chief, USSR Gosplan).** In the new five-year plan it is necessary to form a single fund for the payment of labor by the balance method from the cost-accountable income of the enterprises and organizations, and to replace individual quotas with single ones (or, in the extreme instance, group ones), and to intensify their mandatory nature. We attach great importance to this since the formation of the fund for payment of labor will become the result of the action of the entire system of distributive relations on the basis of making known to the cost-accountable enterprises and organizations stable quotas in the form of tax rates, taxation scales, etc., prior to their compilation of the long-term plans. At such time the quotas will determine the dependence that the funds for the payment of labor have not upon the gross

(expenditure) indicators, but upon the size of the financial sources remaining at the disposal of the labor collectives after they have fulfilled their pledges to the state, primarily in the form of payment for production assets, labor and natural resources, and also payments into the state and local budget from income (profit) and the payment of interest for the use of credit. For purposes of orienting the enterprises' interests on the long-term prospects, an item that will be made the basis of the cost-accountability system is the outstripping growth of the financial means that the collectives retain for production and social development by means of the establishment of a stable quot for the formation of the funds for the development of production, science, and technology and for social development by one percent of the increase in the cost-accountable income higher than unity (it is proposed, for example, that these funds be increased by 1.3-1.5 percent for each percent of increase in the cost-accountable income). There arises a need to develop a system of intercoordinated scales for taxing the individual income of various categories of workers, which, if necessary, are differentiated by regions of the country and by types of activity (production of output intended for production purposes, consumer goods, scientific-technical activity, etc.). It is important at such time that the workers at enterprises in the state sector of the economy and cooperatives who are employed in individual labor activity in that region have uniform rates of taxation.

**M. N. Sakayev (deputy general director, Metrovagonmash PO [Production Association], Mytishchi).** The changeover to complete cost accountability was carried out in our association under conditions when it had an entire set of indicators approved for the 12th Five-Year Plan. At first glance it seemed that not special had occurred, and that everything was simple and understandable. However, the allocation of funds, as a rule, was regulated, as during the preceding years, by the current plans. I shall mention one of the quotas that were made known to us—the payment for production assets was established for the current year at 11 percent, and for 1989-1990 at 12 percent, which constitutes more than half our total profit. And this is under conditions when our equipment is very old.

When the state production order for 1988 was being formed, no one had any idea what it was. Because it was made known to the enterprises in the absence of any normative act that clearly defined the procedure for establishing the state production order or the rights of the agencies located at various levels of administration. For example, the production of subway cars was included for us in the state production order for 1988, but their basic consumer, the Moscow subway, refused to conclude a contract because of the lack of funds. Those cars cannot be put into wholesale trade. In the state production order, our enterprise's plan for consumer goods was increased by a factor of 1.6 as compared with the control figures for the five-year plan. Thus, the collective was put ahead of time in conditions that

predetermined the nonfulfillment of the state production order. In our opinion, the drafts of the decisions submitted to the governmental agencies must be prepared more carefully, in a more substantiated manner. The workers who prepare the drafts ought to put themselves more often in the position of the enterprise collective. Incidentally, other important normative documents also arrive tardily. Councils of labor collectives were elected in almost all the collectives in 1987, but the recommendations concerning their work did not come out until February 1988. The decision concerning the guaranteeing of the effective employment rate of the population was made in December 1987, but the Statute Governing the Procedure for Hiring and Firing Workers and Employees was approved considerably later. Obviously, this practice does not exert the best influence on our results.

I feel that it is time to authorize distributing into the various funds the profit in excess of plan that remains at the disposal of the enterprise, without proceeding from the approved quotas, but, rather, at the discretion of the labor collective itself. It is necessary to accelerate the introduction of economic incentives for the enterprises in producing consumer goods and expanding the paid services for the public.

**D. G. Khodzhayev** (deputy department chief, USSR Gosplan). Should the plans for the construction of housing and other projects in the social sphere be defined "at the top" or "at the bottom," and by whom should they be approved? It would seem that the assignments for the activation of housing and other projects in the social sphere that are being constructed at the expense of the funds of enterprises and organizations and other sources of financing (other than state centralized capital investments) should be defined locally with the participation of the labor collectives and approved by the enterprises, associations, and local soviets of people's deputies themselves. But how, in this instance, does one coordinate the resolution of the task posed by the 27th CPSU Congress, the task of guaranteeing every family a separate apartment or home by the year 2000, how does one balance the construction volumes with the material resources and capacities of the construction organizations, how does one coordinate the amount of the credit and the receipts paid into the budget from the population participating in individual or cooperative housing construction? For this purpose it is necessary to use control figures, which are supposed to reflect the social needs for housing construction, but do not have a directive nature. It would be desirable to include in their makeup indicators dealing with the overall activation of housing at the expense of all sources of financing, with the isolation of individual and cooperative housing construction. The Councils of Ministers of the union republics, orienting themselves on the control figures and using the rights granted to them, are obliged to guarantee the complete balancing of the assignments for the construction of projects in the social sphere with the material resources and capacities of the construction organizations on the

entire subordinate territory. As for the assignments for the activation of projects being built at the expense of state centralized capital investments, they must be included as part of the state production order. Communal construction—the second branch of the social sphere with respect to the volumes of allocated capital investments—is of key importance for guaranteeing the construction of housing, schools, hospitals, and other social projects, and at the same time it has been lagging behind substantially in its development. The plan does not have a single indicator for the development of this very important branch. This has already had a negative effect on providing it with material resources, primarily pipes, and on the attitude taken to it by the contract organizations, has resulted in the exclusion of the corresponding indicators from the reports to be submitted, etc., and in the next few years can threaten the fulfillment of the assignments for the activation of housing and other projects in the social sphere. In our opinion, it is an erroneous point of view that the tasks of developing the municipaleconomy must be resolved completely at the republic level. I am convinced that both in 1989-1990 and subsequently the assignments for activating such very important capacities and projects in the municipal economy as water pipelines, the sewage system, and heat and gas supply, whose systems, because of their technical-engineering and ecology peculiarities, frequently are of an interrepublic nature and determine practically the capabilities and proportions for the development of the entire social sphere, must be included as part of the state production order.

**A. S. Neshitoy** (deputy department chief, USSR Gosplan). Today one of the urgent problems is the saturation of the market with high-grade consumer goods. The resolution of this problem is largely influenced by the improvement of planning and the introduction of order into the system of plan indicators, but for the time being we have not achieved the exclusion of gross indicators that regulate the development of production and the circulation of consumer goods. In light industry and the branches of industry in Group A, the volume of production is still defined in retail prices; in trade, the chief indicator is commodity turnover; in the services sphere, the volume of personal services; etc. In the formation of these indicators one continues to observe the peremptory "machine press" approach, that creates the illusion that there is a balancing of the public's monetary income and commodity turnover with the commodity resources, the appearance that everything is going well with the balancing of the plan at the upper level of administration. In 1986-1987, with insignificant deviations from the plan for the public's monetary income, the total value of commodity resources that were undershipped to the market was 36 billion rubles less than the plan. The increase in industry of output in Group A during those years outstripped the increase of production in Group B by a factor of 1.2, although the plan stipulated just the reverse. There continues to be a lack of conformity between the workers' income and the opportunities for covering it with commodities, and

there has been an increased in the unsatisfied demand, which is estimated to be 30 billion rubles, and this has been intensifying the inflationary processes. The gross indicators can be used only as orientation guides, and what should actually be made the basis of the plan is an economic contract between production enterprises and trade enterprises.

It is high time to increase the role played by wholesale fairs and the activity there of fair committees to assure the efficient and economically substantiated establishment of contractual ties between the commodity suppliers and the consumers. It is necessary at such time to observe strictly the requirements of the Law Governing the Enterprise: while preserving the principle of the legal equality of the contracting parties, the priority of the consumer has been established, keeping in mind the fact that the manufacturer must do everything necessary to satisfy the economically and technically substantiated demands of the consumer. It is important here to use the large capabilities of the soviets of people's deputies locally.

The reciprocally self-interested approach taken by the permanent agencies of USSR Council of Ministers and the departments of USSR Gosplan and the Gosplans of the union republics, with the participation of the appropriate ministries and departments, will make it possible to ascertain more completely the reserves and capabilities for the more complete satisfying of the public's effective demand in the union republics, to refine the channels for the efficient realization of the public's monetary income, and to determine effective paths for shipping commodities into and out of the various republics.

It would be desirable to consider the recommendation concerning the replacement of the general-economic indicator "increase of the public's real income" by the indicator "increase in the population's monetary income." At the present time, as is well known, one of the determining indicators that form the public's real income is retail commodity turnover, which is evaluated on the basis of USSR Goskomstat [State Committee for Statistics] price indexes. Meanwhile, the changes occurring in the prices as a result of the arriving imported commodities, the increase in the share of consumer cooperatives in the sale of agricultural products purchased at prices that have been agreed on, as well as the expanding practice of employing contract prices of nonedible commodities do not provide an opportunity for obtaining a realistic idea of the true levels of retail prices. Moreover, the country is carrying out the line aimed at reinforcing the purchasing power of the ruble, and this also will make it possible to reject the previously mentioned indicator. If the proposed approach is taken, the computation will continue to include that part of income that is channeled by the public into savings and that is subsequently used by the public to maintain approximately the same standard of living after the person has stopped working.

A. G. Pevzner (candidate of legal sciences, RSFSR honored economist). Planning at all its stages and levels must be subordinate to the basic task—the raising of the national standard of living. Therefore the plan must be begun with the section that defines the social development and the raising of the standard of living in the course of the corresponding period of time. It is precisely the indicators that characterize this development that must be the chief ones, and with a consideration of the need to achieve them, to compute others—the distribution of the national income, the growth rates of the branches of the national economy, of labor productivity, etc., proceeding from a computation of the indicators in that sector of the long-term social quotas. In order to attain a standard of living that corresponds to the social quotas, it is necessary to have the powerful development of the material-technical base. With this organization of the elaboration of the planning documents, comparisons of the results with the possible expenditures are inevitable. The chief one is the achievement of the social result. And if, in order to achieve the social results more quickly, it is necessary to reject any previously planned large-scale, expensive, and prestigious construction plans, then this must be done without any vacillations. It is necessary to establish a kind of priority for territorial planning over branch planning. Every individual, wherever he lives, must be provided with a set of commodities and services in conformity with the social quotas and with a consideration of the regional peculiarities of the consumption structure. It is necessary to use more completely here the new opportunities provided to the local soviets of people's deputies. It is necessary more decisively to carry out the decentralization of the planning of that sphere, and to eliminate the excessive, completely unjustified centralism that has been shackling the initiative of the territorial agencies and reducing their responsibility for the state of the consumer complex. At the nationwide level it is possible to define the overall indicators of social development, including the long-term quotas, the rates and proportions of the development of the basic groups of commodities and services, the target tasks (orientation markers) for raising the national standard of living in the union republics, and the amounts of the centrally distributed resources to be allocated for those purposes. The basic work of planning the standard of living will be concentrated at the territorial agencies, primarily at the level of the basic territorial unit—the administrative region (city). For this purpose they must be provided with sufficient financial resources that are allocated in a centralized manner for social development, and also to accumulate the funds to be allocated to the soviet's disposal by enterprises operating under cost accountability.

A role of no small importance will be played by the cooperatives. They will occupy an increasingly significant place in supporting the needs for various commodities and services. But the activity of the cooperatives must be regulated in a planned way, and the results of that activity must be taken into consideration in the planning process. This problem, in essence, is a new and

insufficiently studied one. The Law Governing the Cooperative System excludes the immediate directive planning of the work of the cooperatives and permits only economic methods of exerting an effect on them. Unfortunately, many workers in the administrative apparatus do not know these methods or how to make use of them. The idea of the rapid development of a network of cooperatives as an uncontrollable spontaneous action gives rise to the attempt to regulate them by the customary method of administration by fiat. And yet the legislation has already granted to the local soviets of people's deputies, the branch agencies, and enterprises and economic organizations rather broad opportunities for the planned creation of a network of cooperatives and for their organic inclusion in the territorial national-economic complex. First of all, it is necessary, on the basis of the balance sheets for the production and consumption of various commodities and services, and the balance sheets for monetary income and expenses, to determine the branches whose output (services) are in shortest supply. Then, on the basis of the results of analysis, it is necessary to begin the active formation of cooperatives in definite branches. This process must not be allowed to develop under its own power. The local soviets have various methods in this regard. It is necessary to locate the dynamic, initiatory people who are capable of heading the new job, and to provide realistic assistance to the cooperatives. The cooperatives must be included in the process of developing plans, primarily the territorial ones. It is necessary here to take into consideration the plans to be developed by all the cooperatives. Large-scale cooperatives—and there is a noticeable number of them—prepare not only annual plans, but also five-year ones, especially with respect to investments. The cooperatives must communicate the basic indicators in their plans to the local soviets so that they can be taken into account when the comprehensive plans are being developed.

**V. A. Anikeyev** (department chief, USSR Gosplan). Everyone knows the tremendous national importance of the ecological problems. The question concerning this was raised with special acuity at the 19th All-Union CPSU Conference. It must be noted that the system of the national environmental-protection plan has undergone substantial change. Unfortunately, there has been practically a complete exclusion of the generalized assignments which had been previously established by the ministries and departments, and which they had made known to the branch enterprises and organizations on the basis of indicators channeled into preventing the exertion of negative effects on the natural spheres (reducing the dumping of unpurified runoff water and pollutants into the atmosphere; the use of water resources; the protection of flora and fauna; steps to prevent the degradation of the land and to ensure the efficient use of mineral raw materials; etc.). The basic task of planning in this area is the conversion to economic criteria that include quotas for payment for natural resources and for dumping pollutants into the natural environment (the water, the air, the soil, the forests), for

purposes of the closer coordination between the planned results of the enterprises' work and the effectiveness of the environmental-protection measures being carried out. However, the preparation of the appropriate quotas is being drawn out. The specific directedness of the measures to protect and improve the environment will now be guaranteed chiefly by means of preplanning documents—the Concept and the Basic Directions of Economic and Social Development—as well as by means of the inclusion of individual assignments, basically of an economic nature, in the five-year plans. One cannot fail to note that the unsubstantiated narrowing of the set of planned environmental-protection indicators can lead to serious difficulties in resolving the comprehensive interbranch and regional ecological problems that have recently become more acute. In our opinion, it is necessary to reconsider the existing mechanism of financing the environmental-protection activity by concentrating funds, including capital investments, and, in particular, considerably expanding the rights of USSR Goskomprirody [State Committee for Environmental Protection], establishing that, on its recommendation, funds should be distributed by way of state plans in order to implement comprehensive measures that are coordinated with material-technical support, and that are in strict compliance with the scientific requirements. The soviets of people's deputies, jointly with the regional environmental-protection services, must channel and monitor the activity of the enterprises in developing and carrying out steps that guarantee the observance of the quotas and rules for protecting our national wealth—the environment—and for the efficient use of all our natural resources.

**A. O. Stepun** (deputy department chief, USSR Gosplan). Starting in 1988, the construction organizations of the union and republic specialized construction ministries have been operating under the new economic conditions on principles of complete cost accountability and self-financing.

The results of 1987 and the first half of 1988 attest to a definite increase in the rates of construction-and-installation operations, and to the increase in labor productivity and profit. At the same time, there have been no substantial improvements in fulfilling the assignments for the activation of capacities or projects, and the alarming tendency toward the increase in uncompleted construction in excess of the quota has not been eliminated.

This attests to the poor economic ties that exists in the new economic mechanism in the branch between the final results of construction production and the indicators of the financial-economic activity of the construction-and-installation organizations. And many managers still do not want actually to reject the notorious "gross."

Despite the fundamental importance of introducing as a chief economic and evaluating indicator the commercial construction output, that is, the value of the construction-and-installation operations that have been fulfilled,

subdivided by the various projects that are to be handed over to the customer and that are ready to produce output, interruptions that have been inflicting a considerable amount of harm to the economy have been occurring for more than just one year. And yet the importance of this indicator has been verified experimentally on the basis of BSSR Minstroy [Ministry of Construction] and in other construction organizations.

In 1986, on the insistence of the construction ministries that had not guaranteed the necessary protection, the planning of commercial construction output was temporarily stopped and was replaced by indicators of the volumes of contractual operations for the various projects to be activated during the current year, and also for the various technological stages and complexes at the backlog projects. But the matter did not end there. Currently, the construction ministries recommend rejecting even this truncated indicator of finished output and returning to the "gross" and a system of monthly settlements with the customers for operations that have been fulfilled. One cannot agree with this approach. It is necessary to learn how to build economically, and how to form funds in capital construction depending on the turnover of finished projects. To a considerable degree this must be promoted by the most rapid changeover—in nonproduction construction completely, and in production construction gradually—to a system of turning over projects "under lock and key," which has already been mentioned for approximately 20 years, and yet things have been moving extremely slowly. The construction-planning and construction firms and associations are supposed to operate in accordance with this system. However, for the time being, the percentage of operations being fulfilled by them has been extremely insignificant. In the forthcoming five-year plan, the turnover of projects "under lock and key" must become unconditionally the basis form of the organization of construction.

A. G. Shkurkiy (deputy department chief, USSR Gosplan). In the plan for 1989 there has been a reduction in the share of the state production order, and this, in its turn, means the narrowing of the sphere of the limits system and of centralized distribution of the material-technical resources. The number of directly approved balance sheets and plans for distribution in 1989 will be increased to one-tenth as compared with 1987. There will be a corresponding increase in the volumes of wholesale trade in the output of domestically produced output by a factor of almost 3, and the free sale of machine-building output in accordance with the large products list obtained from the socialist countries will be organized, with the use of convertible rubles. An increasing share in wholesale trade will be occupied by shipments on the basis of direct contracts between producer and consumer. The working out of the problems of wholesale trade has encountered a number of difficulties (the imperfection of the economic mechanism based on obsolete prices; in its present form, the finance-credit mechanism does not correspond to the requirements of cost accountability and self-support). The expenditure

methods of management have not been overcome, and one continues to see a shortage of many resources. Here is an alarming fact: for 1989, simply to meet production-operation needs, the ministries have submitted requisitions that exceed the 1988 need for rolled ferrous metals by 10 million tons; for lumber, by 28 million cubic meters; and cement, by 10 million tons. This approach attests to the attempt to increase profit at the expense of the extensive factors. The old psychology has not been overcome: the proponents of the expenditure methods of developing the economy have not been yielding their positions. Giving as their justification the "lack of balance in the plan," they have been asking for the allocation of a greater and greater quantity of scarce resources. Now the basic assignments of the plan for next year, with regard to the economic indicators, volumes, and products list of output to be produced, are determined by the enterprise collectives, proceeding from the control figures, the state production order, and the limits for a limited products list of centrally distributed material resources. A considerable part of the material-technical resources will be purchased through agencies of USSR Gossnab and on the basis of direct contracts with the suppliers. Under conditions of the changeover of the enterprises to complete cost accountability and self-financing, this is of determining importance in organizing material-technical supply and balancing the production program with the resources. The conclusion of contracts for the shipment of output and the fulfillment of operations and the rendering of services among the enterprises, and also with agencies of USSR Gossnab, must be completed by the beginning of the year being planned. Therefore, all the indicators, limits, and volumes of the state production order must be made known to the enterprises ahead of time.

The scarcity of a number of resources, and especially raw-material and fuel-and-energy resources, can be eliminated by increasing the material self-interestedness in the economical and efficient use of resources in the system of cost-accountable relations. Under the new conditions, the economizing of resources will be carried out by means of the intensification of the economic methods. There has been an increase in the importance of implementing the programs for improving the structure of social production and improving the quality of output and the measures of scientific-technical progress. During the period of the growth of the new economic mechanism, it is desirable to introduce the providing of target incentives for reducing the total material expenditures. For this purpose it is proposed to approve quotas to correlate the increase rates of material expenditures for each percentage of increase in the volume of production of output (operations). At such time, as much as 70 percent of the economizing (overexpenditure) of the material resources, as compared with the indicated quotas, will find reflection in the size of the profit remaining at the disposal of the enterprise.

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**Gosplan CP Members Meet on Tasks Following  
19th Party Conference**  
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[Article under rubric "Implementing the Ideas of the 19th Party Conference": "The Restructuring of the Economy and Gosplan's Tasks"]

[Text] On 9 August 1988 a general party meeting of USSR Gosplan Communists was held, with the agenda "The Tasks of the Party Organization of USSR Gosplan in Implementing the Decisions of the 19th All-Union CPSU Conference and the July 1988 Plenum of the CPSU Central Committee." A report was given at the meeting by Yu. D. Maslyukov, candidate member of the Politburo of CPSU Central Committee, First Deputy Chairman of USSR Council of Ministers, Chairman of USSR Gosplan.

The 19th All-Union Party Conference, he said, provided a well-principled evaluation of what was done during the period after the 18th CPSU Congress, and scientifically substantiated the program for the further development of the economy and Soviet society. Life has shown that the strategic line developed by the party corresponds to the fundamental interests of the Soviet nation.

At the same time it must be noted that **perestroyka** has been proceeding in a complicated manner. To a considerable degree this is linked with the fact that the cadres have been slow to assimilate the new criteria for evaluation work and development, and with the slow restructuring of psychology in all work sectors at all levels. Another influencing factor is the underestimation that has sometimes been made of the depth and complexity of the processes occurring in all spheres of our life, and the fundamentally new conditions in the process of expanded reproduction.

The success of **perestroyka** in all aspects of the life of society will be determined largely by the results of economic development. USSR Gosplan has completed the preparation of the draft version of the 1989 State Plan, which set as its goal the reinforcement and consolidation of the positive tendencies that manifested themselves in the economy during the previous three years, and the goal of overcoming the lag that has been allowed to occur, so as to guarantee the maximum fulfillment of the assignments of the five-year plan, primarily in the social sphere, and to lay solid foundations for forming the base of the 13th Five-Year Plan. The extremely strenuous tasks that are set for that year by the five-year plan will have to be resolved under difficult conditions, inasmuch as, during the previous years, the job of bringing the economy out of stagnation with respect to a number of important indicators was accompanied by a substantial lagging behind.

All this has complicated the preparation of the draft version of the plan and has also complicated the job of balancing it. Nevertheless, it clearly reflects the course that is aimed at the intensification of the social directedness in the development of the economy.

The plan stipulates the acceleration of the qualitative shifts in all branches. In industry this is expressed primarily in the more rapid rates of increase in output in the branches that determine technical progress—machine-building and metal-working, chemical and petrochemical industry, electronics industry, instrument-building. As a result, there will be an increase in their percentage in the overall production volume. In machine-building, special attention is being devoted to increasing the production of very important types of output that is on a par with the worldwide technical level, in order to guarantee a breakthrough in moving ahead to new quality.

Simultaneously with the work of preparing the next yearly plan, in 1987-1988 the efforts of the collective and party organization of USSR Gosplan were concentrated on developing the draft of the Concept for the Economic and Social Development of the USSR For the Period Until the Year 2005, which has been submitted at the present time to USSR Council of Ministers.

That draft materializes the ideas of **perestroyka** and defines the chief goals of socioeconomic development for the next 15-year period.

The feature in the draft version of the Concept that is viewed as the chief peculiarity of the development of the national economy is the draft's social orientation. It was this fundamental peculiarity of the Concept that predetermined the choice of the priority directions that were planned in it for the entire structural and investment policy and for forming the rates and proportions in developing the single national-economic complex under conditions of the functioning of the new system of socialist management.

At the present-day stage, the stable development of productive forces, the entire process of expanded socialist production, is possible only on the basis of the intensive factors: the assimilation of technically progress, highly productive machinery and equipment, advanced resource-saving technological schemes, and the increase in labor productivity. The resolution of these tasks requires a high level of organization in the job at hand, as well as a conscientious attitude toward it at every enterprise, in every sector, at every work station. The increase in the role of the labor collectives in guaranteeing high-quality results of labor requires the creation for them of real conditions for directly resolving the questions of organizing production and questions of social development and maximum independence within

the framework of democratic centralism. This predetermines the efficient *perestroyka* of planning—the key sector for developing and implementing the strategic course of the social and economic policy of the party and the state.

In party decisions dealing with questions of improving planning, USSR Gosplan has been assigned the task of efficiently raising the level of development of the draft versions of the plans, which task has been aimed at the scientifically substantiated selection of the developmental goals and the ranking of them in order of size, at assuring that the plans are balanced, and at assuring the maximum independence of the labor collectives in implementing them.

State centralized planning is one of the most important gains in our system. It has made its indisputable contribution to the development of productive forces, to the creation of our country's powerful economic and defense potential. At the same time the planning agencies, and USSR Gosplan directly, are responsible for the lack of balance in the economy, for the underestimation of the influence exerted by social development under the resolution of economic problems, and for the slow introduction of the advanced achievements of scientific-technical progress. Shortcomings in planning were revealed by the 27th Party Congress and by subsequent Plenums of CPSU Central Committee.

USSR Gosplan has carried out a considerable amount of work to restructure the planning. With regard to many questions, decisions that promote the acceleration of socioeconomic development have been found. But this has not been done without any serious errors or shortcomings.

At the 19th Party Conference, Gosplan was criticized for holding onto the "gross" approaches and formalism in definite the optimal rates of development, and for arbitrary methods of forming the state production order in the plan for 1988. The persons who criticized Gosplan most sharply, but at the same time constructively, were the workers at enterprises, construction sites, and kolkhozes who have been directly experiencing all the errors and the formalism in planning.

The collective of USSR Gosplan is on the very cutting edge of the *perestroyka* in the field of the economy and the social sphere. And today, more than ever before, everyone needs the sense of the highest personal responsibility for guaranteeing that the quality of the work conforms to the tasks confronting us. In practical work it still happens not infrequently that the force of inertia and of well-established stereotypes in problem-solving makes itself known. But to a decisive degree this is the result of lack of knowledge of the deeply underlying economic processes, of the inability to see the interrelationships between the phenomena in the production sphere and in the social sphere, and of the superficiality of the scientific recommendation. It is necessary more

deeply and more thoroughly to study the phenomena, to find the ties, to see their direct and indirect consequences. The lag that has developed in economic science and the attempt that is being made by many research collective to avoid a consideration of specific questions have been seriously complicating the scientific interpretation of the necessary decisions. The fact that economic science has been lagging behind practical needs has been mentioned repeatedly. The tasks confronting our country are growing, but the lag is not being reduced. The mass information media have been intensively discussing economic problems, including the forms and methods of planning. Not infrequently, points of view that are diametrically opposed, including some that are extremely moot, have been expressed.

It must be stated outright that, in economic questions, most of the statements made have been directed against centralized planning, against the entire economic system. And these statements are not being subjected to the proper criticism. And if individual published items written by Gosplan workers do appear, they pertain to specific questions, rather than dealing with the overall policy. As a result USSR Gosplan has remained aloof from the formation of public opinion. It must be noted that the printed organ of USSR Gosplan itself, *PLANOVYE KHOZYAYSTVO*, has been making poor use of its opportunities for actively discussing the most acute problems. This position does not befit us. The leading workers of USSR Gosplan must engage actively in discussions dealing with economic problems. They must go out to a broad audience, using every opportunity to show the public the true state of affairs. And this extremely important work must be headed by the Gosplan party committee. It is our duty to prevent a decline in the authority of centralized planning or of USSR Gosplan.

In the branches and in the economy as a whole, very complicated processes that require the most careful attention are under way. It must, however, be kept in mind that the old traditional approaches to evaluating the processes occurring in the economy and in society are by no means always acceptable. They can lead to conclusions that conflict in principle with the fundamental interests of the state. Under these conditions the questions that take on great importance are the questions of the economic analysis of the development of society as a whole, and of its branches and regions. We have already mentioned this repeatedly, but there have been no major shifts.

But the questions that practical life pose are each more complicated than the one that preceded it. Take, for example, the questions of the correlation in the development of subdivisions I and II in social production, of groups A and B in industry. These problems persistently require both thorough theoretical research and quantitatively substantiated proportions for implementation.

It is especially necessary to turn attention to the fact that, at the present time, there has been absolutely no discussion of questions of the correlation between centralism

and the rights of the enterprises, and of the local agencies of authority, at the present-day stage of development. Recently, in our press and economic literature, the concept of centralism has completely disappeared. It is obvious that such important questions must in no instance be disregarded, and that the situation must be corrected.

The improvement of planning and the economic mechanism rests upon the collective intelligence of the specialists. A large amount of importance in this matter must be given to involving in the discussion of questions the workers directly employed in industrial and agricultural production, construction, and transportation, since, in their work sectors, all the theoretical and methodological principles influence either the success or failure. The broad involvement of practical workers in considering, at the session of the USSR Council of Ministers, the statute governing the State Production Order has once again confirmed this. But Gosplan has been relying insufficiently upon the collective intelligence to resolve the questions confronting it. And yet the "ivory tower" method of resolving them entails the threat of formalism and of the bureaucratic approach in doing the work.

As is well known, the current five-year plan was formulated under conditions of the operation of the old economic mechanism. In certain respects there was also a manifestation of the old understanding of the processes of development. For example, when the program for the development of machine-building was being formed, there was an underestimation of the complexity of changing over to the production of new, more productive technology and of the requirements with regard to the quality and reliability of the output, and simultaneously there was a striving to achieve the maximum rates. In the course of fulfilling the five-year plan, adjustments are being made and new approaches are being employed. For 1989 it is planned to achieve a considerable reduction or stabilization of the production of many types of articles for which the needs of the national economy are being satisfied. This provides the opportunity, by removing the excessive strain from production, to raise the level of technological discipline and improve the quality of the output, and to reduce the need for materials, many of which are scarce. This will also have an effect on the quality of the newly created work stations under the conditions of the manpower shortage. This approach is a correct one, but it is not applicable everywhere. Wherever it is a matter of producing output the needs for which are being satisfied under conditions of tension, and wherever the dependence on import is preserved, the efforts and attention must be concentrated on the development of production.

The process of democratization, of expanding the rights of the enterprises and the labor collectives, has been gaining momentum. It is becoming irreversible. Therefore the improvement of planning must create the maximally favorable conditions for operating the enterprises

and developing the labor collectives, and at the same time for guaranteeing the statewide interests, balancing the economy, coordinating regional development, etc.

The attainment of these goals requires the efficient use of their rights and obligations by the central and local agencies and enterprises, and the effective expenditure of resources at all levels. It is only under these conditions that the process of democratization can develop. Unfortunately, by no means has everyone learned how to use his rights. For example, after receiving the right to go out to the world market, many organizations exceeded the stipulated indicators for importing materials and equipment, but chiefly on credit, without simultaneously guaranteeing completely the export shipments. In a number of branches, despite the changeover to assignments based on value, there has been no attainment of the volumes of production of specific types of output, including those to meet the public's needs.

At the present time one can notice the outstripping increase in wages as compared with labor productivity. As a result, the monetary circulation is becoming even more complicated, the inflationary processes are expanding, and in the final analysis there is an undermining of the incentive role of the payment of labor in improving the organization of production. These questions must become the object of daily attention and monitoring by all the Gosplan complexes, and primarily the social one.

The country has entered the decisive stage of the economic reform. Practically speaking, social production as a whole will operate under the new management conditions. The changeover of the enterprises in all branches to complete cost accountability and the comprehensive formation of the economic mechanism, and the obtaining of the maximum benefit from that, presupposes the introduction of new prices and the formation of a socialist market, the improvement of finances and the development of the banking system, and the introduction of wholesale trade and a number of other measures. Therefore, there will be an immeasurable increase in the role and responsibility of USSR Gosplan for the formation of the economic mechanism and the qualitative rise in the level of state plans, both from the point of view of their being balanced, and to orientation on the maximum use of the most advanced achieves of scientific-technical progress. There is a tremendous amount of work to be done with regard to these question. And the decisions must be found as early as the 1989 plan.

At the 19th Party Conference bitter criticism was leveled at the rate of carrying out the economic reform. Attention was directed to the fact that the previous system of mandatory assignments for volume of production was preserved in the guise of a state production order. It was emphasized that this was an arbitrary move on the part of the ministries, in the absence of the proper monitoring, or even with collusion on the part of Gosplan. M. S.

Gorbachev remarked that this fundamentally contradicts the meaning of the reform and is equivalent to preserving those methods of administration that have led the economy down a blind alley.

The essence of the conflict in this question between the enterprises and the planning agencies consists in that, in the economic mechanism, no effective incentives have yet been created for encouraging the production collectives to accept higher planned assignments. But Gosplan cannot balance the national-economic plan by relying on the enterprises' reduced planned assignments. Practical life shows us that in many instances the actual fulfillment of the assignments is higher than the planned assignments. However, this outstripping does not pertain to the priority branches that influence the progressive shifts in the structure of production and of consumer goods, including food products.

Constant work is needed to improve planning. And this pertains not only to the makeup of the state production order, but also to the entire series of problems of the production and sale of output, the technological scheme for developing the plan in conformity with the Law Governing the Enterprise, payment of labor, that is, pertains to all the questions that the enterprises encounter daily.

Already, during the current year, the system of planning the state production order has been largely worked out. As a result, the content of the control figures has been changed in a fundamentally new way. They include, in addition to the indicators based on value and the general economic indicators, data concerning the production products list. On the other hand, the makeup of the state production order has been considerably reduced and is concentrated on the output that guarantees the interests of the state: new highly productive equipment, progressive types of raw and other materials, and output the manufacture of which is linked with international circumstances, the country's defense capability, and its economic independence.

The new economic mechanism does not guarantee the automatic achievement of the results that society needs. Even now one can see how shyly it is being introduced. The worm of bureaucratism that is capable of gnawing away at and killing every living thing is also working its way here. Let us take the following example. Practice has shown us the high effectiveness of collective, family, and lease contracts. But the approach to organizing their operation has not been responsible everywhere. Nothing else but the formal approach can explain the fact that, in Moldavian SSR, the number of persons working on a collective contract in 1987 as compared with 1985 almost tripled and reached 71 percent of the total number of persons employed in agriculture, and yet that did not have any effect on the republic's economic indicators. The gross output of agriculture in the social sector during that period increased by only 4.5 percent, and labor productivity by 7.2 percent. Consequently, it is

necessary at this time to reveal the essence of the economic and social processes in the entire complicated unity of their interrelations and interdependencies.

As is noted in the decisions of the 19th All-Union Party Conference, the accelerated development of the national economy is impossible without the use of the achievement of scientific-technical progress and primarily those linked with the development of the priority sectors—information science, complete automation, biotechnology, the latest building materials with assigned properties, the use of the phenomenon of superconductivity, and untraditional sources of energy. Recently there has been a change in the system of planning, financing, and material support for research and development, and for providing incentives for scientific labor, and this is supposed to exert a long-time influence on the acceleration of NTP [scientific-technical progress]. However, no major increase in the receptiveness of production to the achievements of scientific-technical progress, and no substantial increase in the effectiveness of the operation of scientific organizations, have been occurring. One continues to see the effect of many inhibiting factors which will have to be overcome within the shortest period of time.

The introduction of the achievements of science is a painstaking and complicated job that requires a definite qualitative level and production reserves. Under conditions of rigid planned assignments for the volumes of production of obsolete output, the enterprises do not want to take the path of technological re-equipping. At the present time it is simpler and more reliable for them to exist without introducing the new technology.

The conditions for introducing scientific-technical achievements must be created on the basis of the flexible combination of the centralized methods of administration with the decentralized ones, and on the basis of the overcoming of the departmental barriers. The influence on the development of science and technology must be concentrated on the strategic interbranch scientific-technical problems of importance to the country as a whole, which guarantee the implementation of fundamentally new technological schemes. The capital investments, budgetary means, and state production orders must be concentrated in resolving these problems.

Therefore a factor of great importance is the correct selection of the most effective areas for scientific-technical progress and assignments of state production orders. It will be necessary to organize the formation of state production orders to develop science and technology on the basis of large-scale scientific-technical plans, keeping in mind the fact that the most advanced developments must be realized primarily in consumer goods. Herein lies one of the conditions for realizing the social directedness of the state plan. The development of all the priority trends in scientific-technical progress must be subordinated to this goal.

It is necessary to plan new technology for the entire cycle from research to the complete satisfying of needs. The new structure of the state planning system—the Concept for the Country's Economic and Social Development for the Long-Term Period, the Basic Directions in Economic and Social Development in the Forthcoming Five-Year Plan, and the five-year plans—makes it possible to organize this work and to plan in accordance with the priority areas of scientific-technical progress the complete cycle: scientific research, to technology and the technological scheme, to investments, to production, to sale, to service.

It is important to devote special attention to improving the technological discipline at the enterprises. A definite role in improving the quality of output has been played by state acceptance, but it does not influence the entire technological process. Therefore it is necessary for the active fight for quality to become a job for all the engineer-technical and ordinary workers. The collective at USSR Gosplan must also make its contribution to the resolution of this task.

Under conditions when the USSR Law Governing the State Enterprise (Association) is in effect, there arise a large number of serious problems in capital construction, for which USSR Gosplan must find a resolution. A problem that is already arising is the problem of coordinating the amounts of funds channeled by the enterprises and associations into the financing of capital construction with the real opportunities of resource support. On the one hand, in conformity with the Law Governing the Enterprise, the capital-construction program being carried out at the expense of uncentralized capital investments must be accounted for in the settlements for the plan in full measure, and, accordingly, must be supported in a priority procedure with material resources and a contract. On the other hand, a line aimed at the complete and priority supporting of the projects in the state production order with financial limits and resources has been proclaimed.

In the course of considering the draft versions of the plans submitted by the ministries, it was established that in a number of instances the requirements for capital investments at the expense of the enterprises' funds have been overstated, do not correspond to the actually earned means, and have been intended to obtain major bank credit without any serious guarantees of returning it promptly. The experience of 1988 indicates that the enterprises have been submitting to the territorial agencies of USSR Gossnab obviously overstated requisitions for material resources along the in-house line. This incorrect practice has even been intensified, and the process remains uncontrollable.

The ministries engage insufficiently in questions of the formation and use of the enterprises' funds. Nor has that work been organized at USSR Gosplan. Therefore it is necessary to think seriously about these questions, to find the correct solutions, and to define the steps that

would make it possible, without violating the enterprises' rights, to a definite degree to control the processes of regulating and coordinating the statutes and the opportunities in carrying out capital investments. USSR Gosplan must find within the shortest periods of time an answer to the question of what economic levers must be activated in order to increase the effectiveness of the use of the uncentralized capital investments.

A special question is the preparation of the enterprises for operation under the new conditions starting in January 1989. "Ivory tower" preparation is inadmissible. It does not ascertain the true state of affairs in production, and involves in that work only a narrow group of specialists at the ministries and departments.

The party conference confirmed the line of the 27th CPSU Congress that is aimed at the social reorientation of the economy. Today the questions of satisfying the public's needs for commodities, and primarily food products, have moved into first place ahead of all the other problems. This was also confirmed with all acuity by the July 1988 Plenum of the CPSU Central Committee. The Plenum enacted realistic measures that are capable of correcting the situation. They are linked with satisfying people's needs for high-quality food products and with saturating the market with consumer goods and services in the necessary variety and with high quality. All these assignments found complete reflection in the draft of the 1989 plan. Their implementation must be monitored on a daily basis by USSR Gosplan, in order not to see a repetition of the situation during the current year, when the enterprises failed to include in the plan the production of consumer goods for a considerable sum.

The party's Central Committee has deemed it necessary to hold a special Plenum to deal with the agrarian question. The task being assigned is, on the basis of an analysis of the agrarian policy at all stages of development of the Soviet state, to reach a new stage in the development of the agrarian sector with a consideration of the genuine transformation of economic relations in the rural areas. All this preparation must be carried out in organic coordination with the development of the economy as a whole. The resolution of the problem of the stable supporting of the needs for the products of agriculture must be achieved by means of the complete use of the created potential in that sector on the basis of the new management principles. Of course, it will be necessary to have additional resources, primarily for the social development of the rural areas. The task that is being assigned by the party is a nationwide task. And at Gosplan it must be a job for the entire collective.

The party conference has noted that, in carrying out the fundamental economic reform and in resolving the problems of the acceleration of socioeconomic development, an increasingly large role belongs to the territories, to the local agencies of Soviet authority and economic administration.

The successful development of the Soviet state and society is possible only on the basis of the complete flourishing of the national cultures and the economy of all the nations and nationalities of our multinational Motherland. But it is vitally important for these processes to lead to the consolidation and intensification of the country's unity and a sense of internationalism. These questions and processes must be under the constant scrutiny of USSR Gosplan. Their very acute political and economic importance has been demonstrated by the events in Nagornyy Karabakh. And it must be stated outright that the attention to them has been seriously dulled. It was felt that everything was proceeding the way it should be. But life demonstrated the erroneousness of that understanding of the situation.

At the present time a decision has been made to hold in 1989 a special Plenum of CPSU Central Committee to deal with the questions of developing all the country's regions and of reinforcing the unity and cooperation, and to resolve the interethnic problems.

USSR Gosplan and Goskomstat [State Committee for Statistics] must, with the participation of the scientific centers, carry out the thorough analysis of the role played by the union republic in the system of the country's national-economic complex. The analysis must indicate the process of the formation of an international economic complex, and must study the social, economic, and technical interrelationships among the republics and the division of labor. The republic Gosplans can and must render effective assistance to USSR Gosplan both in this work and in the restructuring of planning.

The 19th All-Union Party Conference devoted a large amount of attention to the work with cadres, to the human factor, to the work style and methods, and to the fight against bureaucratism. In his report at the conference M. S. Gorbachev said that, when resolving the very complicated tasks of *perestroyka*, we cannot do without the apparatus, we cannot take a disdainful attitude toward its cadres.

It is proceeding from this assumption that it is necessary to evaluate the work that has been done to restructure Gosplan and to define the next tasks. As is well known, USSR Gosplan has been restructured chiefly according to the functional principle. The narrowly departmental directedness in the work of the departments has been eliminated, and a complex for composite national-economic planning has been formed. In the new structure of USSR Gosplan, provision has been made for guaranteeing the through planning in key areas in the development of the national economy: the acceleration of scientific-technical progress; capital investments; resource-saving; the improvement of the economic mechanism; etc.

However, we have not yet seen the proper response in the practical activity of Gosplan. An especially alarming situation is the lack of any shifts in composite economic

and analytical work, and the slow progress in overcoming the departmental attitudes. Little has been done to organize the work of achieving the scientifically substantiated formation of the priorities for developing the branches and spheres of activity, or the interbranch and regional proportions, or the work of improving the economic mechanism. It is necessary to work constantly in the area of improving the entire organization of the work in Gosplan, of improving its structure and the interaction among the departments, and in raising the level of proficiency of all its workers.

It is only by mastering the new theoretical knowledge and the new ideas of *perestroyka* that we will be able to fulfill the tasks that have been assigned to Gosplan.

The participants in the discussion of the report included the following:

**V. I. Kuznetsov**, subdepartment chief, Combined Agroindustrial Complex Department, secretary of the department's party bureau;

**G. Ya. Kukushkin**, deputy chief of the Environmental Protection Department;

**S. P. Yakovlev**, deputy subdepartment chief, Combined Consumer Products Department, party group organizer;

**Yu. P. Lapshin**, deputy chief, Combined Scientific-Technical Progress Department, member of the party committee's Production Commission;

**L. A. Kozlov**, chairman of the Council for the Study of Productive Forces, under USSR Gosplan;

**G. B. Stroganov**, deputy chairman, USSR Gosplan;

**A. G. Nozhnikov**, subdepartment chief, Combined Department of Foreign Trade and Foreign-Economic Ties, secretary of the department's party bureau;

**V. M. Sychev**, chief, Combined Department of Social Development and Labor, member of the department's party bureau;

**A. L. Mukoyed**, chief, Combined Department of Territorial Planning and the Placement of Productive Forces, member of the department's party bureau;

**O. A. Chernomorets**, chief, Combined Construction Complex Department, member of the department's party bureau;

**V. V. Prusov**, chief, Department of the Economic Cooperation Between the USSR and the Socialist Countries, member of the department's party bureau.

The statements made by Communists at USSR Gosplan expressed unanimous support of the decisions of the 19th All-Union Party Conference and the July 1988

Plenum of the CPSU Central Committee. It was noted that the conference has assigned to the Communists of USSR Gosplan a number of new and responsible tasks, and at the same time has pointed out the directions for resolving them.

A large amount of attention was paid to increasing the activity rate in the work of the Communists in intensifying the monitoring of the fulfillment of the Food Program and the program for the production of consumer goods. The speakers analyzed the causes that have been restraining the successful fulfillment of those programs and proposed ways to overcome them. In particular, they mentioned the important role that the lease form of management has been called upon to play in increasing the amount of agricultural output and in reducing its production costs. However, the broad extension of the lease contract frequently encounters a lack of understanding and difficulties. It was pointed out that leasing will require the reconsideration of the structure of the agricultural machinery being produced, primarily the increase in the production of small multipurpose tractors and equipment. These changes must be taken into consideration immediately when preparing the draft version of the plan for the 13th Five-Year Plan.

In the course of the discussion of the report, it was noted that the satisfying of the public's demand for consumer goods depends upon the contribution made by all the branches, both in Group A and in Group B, to the resolution of that problem. It is necessary for every enterprise to participate in the fulfillment of this very important national-economic task, and it is the duty of the Gosplan workers to render assistance to the enterprises in saturating the market with the commodities that the public needs.

The questions of scientific-technical progress were touched upon by almost all the speakers. It was pointed out that the Communists of USSR Gosplan have not yet succeeded in providing completely in the plans for the prompt production of new progressive technology, and a number of decisions dealing with the acceleration of scientific-technical progress are being resolved slowly. And yet, it is only on an advanced technical and technological basis that we can resolve the tasks in the area of guaranteeing an increase in social production, in reducing the materials-intensity of the output, in reducing the expenditures of manual labor, and in increasing the export of commodities. And without the resolution of these questions it is impossible to guarantee the rise in the national standard of living that has been stipulated by the plans, or to win the advanced positions in world production. It is necessary to strive for a situation in which the plan becomes an effective instrument in carrying out a single scientific-technical policy, includes the most progressive developments of science and technology, and guarantees their prompt production in the necessary volumes. This requires a tremendous amount

of work by the Communists and specialists in all the Gosplan departments and a creative approach to the resolution of the questions that arise.

As a result of the increase of the role played by the soviets in resolving economic problems, attention has been paid to the problems of territorial planning. In the economic status of a number of republics and regions, the rather substantial differences that exist are being overcome slowly. But it is precisely when such questions are being resolved that the friendship among nationalities and Leninist national policy manifest themselves most clearly and convincingly, and this must be reflected in the plans being developed.

Many of the speakers touched upon the questions of environmental protection. The worsening of the ecological situation in a number of regions in the country requires more careful study in selecting places as sites for new construction and for guaranteeing the fulfillment of the environmental-protection measures. It is also necessary to resolve in a more timely manner the questions of using production waste, and to stipulate the organization of the production of the technology required for this purpose. It is obvious that these questions also must be reflected in the draft versions of the plans. For the time being, they are being taken into consideration insufficiently.

In the resolution that was adopted, the party meeting required the Communists at USSR Gosplan to concentrate their efforts on improving the quality of planning and economic work and its effectiveness, consistently carrying out measures to implement and deepen the economic reform, and overcoming attempts to distort the nature of the new management forms and methods.

In their daily activity the Communists, on the basis of a thorough analysis of the operation of the national economy under conditions of the economic reform, the action of the Laws Governing the State Enterprise (Association) and Cooperatives, as well as the other fundamental documents, have been called upon to carry out in the national economy the intensification of the social directedness of the development of the economy, primarily by resolving the problem of producing food products, non-food consumer goods, developing the services sphere, and intensifying the construction rates for housing and other structures in the social and cultural sphere; to carry out a thorough study of the questions of the ecology and eliminate the underestimation of the social and economic consequences of that problem; and to achieve a fundamental improvement of the territorial aspects of the plans, devoting special attention to the regional and national peculiarities, and the considerable intensification of the role played by the local soviets.

The general party meeting expressed its conviction that the Communists at USSR Gosplan will be active participants in *perestroika* and will take all steps to implement

the radical economic reform and improve planning in conformity with the requirements of the 19th All-Union CPSU Conference and the July 1988 Plenum of the CPSU Central Committee.

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## INVESTMENT, PRICES, BUDGET, FINANCE

**Origin of State Budget Deficit Examined**  
*18200019a Moscow FINANSY SSSR in Russian*  
No 8, Aug 88 (signed to press 14 Jul 88) pp 38-44

[Article by Ye.V. Kolomin, doctor of economic sciences, professor: "The USSR State Budget Under the New Management Conditions"]

[Text] The USSR State Budget is the basic financial plan of the country—the plan for the formation and utilization of the state fund of monetary resources. About two-thirds of the financial resources of the Soviet state go through the budget. This centralization of funds creates the possibility of providing financial resources for state needs in a planned way.

The approval of the budget and the report on its fulfillment is assigned by the USSR Constitution to the competence of the country's higher agencies of state authority. The course of the fulfillment of the state budget along with the plan for the economic and social development of the USSR are regularly considered by the Politburo of the CPSU Central Committee, the USSR Supreme Soviet, and the USSR Council of Ministers.

The budget is an annual plan. At the same time there are summary calculations for the basic indicators of its incomes and expenditures for the five-year period. These calculations make it possible to determine the main tendencies in the growth and utilization of financial resources, their balance, and the possibility of creating reserves.

With the introduction of five-year financial planning at enterprises and in branches of the economy there arises the possibility of more actively utilizing the state budget in realizing the party economic strategy.

Incomes and expenditures of the state budget are formed in keeping with the plan for the economic and social development of the USSR. Oriented toward plan indicators, the state budget at the same time influences their refinement for purposes of providing for greater growth of income of financial resources or reduction of surplus, unnecessary expenditures.

The inseparable link between the budget and the plan for economic and social development is also manifested in the process of their fulfillment. Income comes into the budget as products are produced and sold in a planned way. In turn, the fulfillment of the plan by industry, construction, and other branches depends largely on prompt and complete financing of various measures. Budget allocations are allotted to the enterprises and organizations as they fulfill the plan for capital investments, the development of the network of social and cultural institutions, and so forth.

At the same time it will be necessary to significantly increase the role of the state budget in determining the prospects for development and in improving the planned proportions of consumption and accumulation, the ratio between the growth rates of the first and second subdivisions of public production, various branches of the national economy, and the nonproduction sphere.

During 1980-1987 the growth of income for the USSR State Budget amounted to 143.9 percent. In absolute terms the volume of the state budget reached 435.5 billion rubles in 1987. But difficulties in the formation of the budget income increased during the period under consideration and, as will be shown below, the structure of budget resources deteriorated.

Incomes increased less rapidly than expenditures and there arose a deficit in the state budget. The budget deficit, as is emphasized in the materials of the 19th All-Union Conference of the CPSU, has a negative effect on the economy, it undermines the stability of monetary circulation, and it gives rise to inflation processes.

It should be noted that in the press they frequently use an unjustified comparison between the amount of the budget and the national income as if to show an increase in this ratio in favor of the budget. The fact is that there are various methods for reflecting certain indicators. According to existing methods the produced national income includes the balance of foreign trade operations.

The main source of budget resources is the net income of socialist enterprises, associations and organizations. The amount of payments that come from the businesses of various branches and regions of the country are different both in terms of the absolute amount and in terms of the ratio to net income. The proportions in the distribution of budget resources for the various branches and regions also differ. Interbranch and interterritorial distribution of funds proceeds through the state budget and within certain limits also the redistribution of funds among individual groups of businesses. This is reflected, in particular, in the fact that deposits into the budget come from profitable state enterprises and businesses that are still planned to operate at a loss receive subsidies from the budget.

The question of the degree of centralization of profit from the enterprises in the state budget and the scale and direction of budget redistribution is one of the central questions of the financial policy. It becomes more crucial under the conditions of the restructuring of economic management and the changeover of enterprises to complete cost accounting and self-financing.

The objective need to redistribute resources among the branches of material production is brought about by the lack of correspondence between the accumulations created in the branches and the needs for monetary funds in order to provide for their development on the basis of nationwide interest. This lack of correspondence is the

result of a number of factors. The main one is that in the process of development and improvement of public production and scientific discoveries completely new branches (subbranches) of production activity appear. These branches determine scientific and technical progress of the entire national economy and the rates and quality of economic growth. The number of new kinds of production and new technologies is steadily increasing as science and technology develops. But these new branches can develop only with accelerated budget investments. Consequently, redistribution of funds in favor of these promising branches is an indispensable condition for the progress of the entire society.

Certain already existing branches of the national economy are experiencing a shortage of funds because of the low profitability of production as a result of excessively high expenditures or shortcomings in price setting. As the prices are put in order and the production cost of goods and services of the branch decrease, its budget financing will decrease as well. But technical reequipment of traditional branches frequently requires budget investments for a certain period of time. But on the whole redistribution of resources through the budget caused by this factor will obviously decrease. The need for budget redistribution of resources caused by the existence of enterprises that operate at a loss should gradually disappear.

Interbranch redistribution of resources is the financial basis for the functioning of the nonproduction sphere. The majority of expenditures on education, public health, social security, and the satisfaction of the cultural and domestic needs of the population are made through the state budget. Increased expenditures by the enterprises for these purposes can by no means lead to a reduction of budget allocations. Immense amounts of money are allotted from the budget in the form of subsidies for maintaining low prices and rates for a number of consumer goods and services.

Interterritorial redistribution of funds through the state budget is carried out during the process of the formation of the budgets of union and autonomous republics, krays, oblasts and other administrative subdivisions. It is reflected in the transfer to these budgets of some of the state funds and the direct financing of the development of various regions from higher-level budgets, for example, in the construction on the territory of the rayon, village, or city of enterprises of union and republic jurisdiction. Through this redistribution one achieves more rapid development of newly assimilated regions and more efficient territorial distribution of productive forces.

Interregional redistribution of monetary funds is carried out on the basis of economically substantiated budget comparison. At the same time withdrawal and redistribution among budgets of money discovered and saved by the soviets of people's deputies when fulfilling their budget is not allowed unless it is stipulated by legislation.

On the whole the state budget performs a leading role in financial support for expanded socialist reproduction, acceleration of scientific and technical progress, optimization of national economic proportions, the formation of public consumption funds, and the solution to other most important problems of the country's economic and social development.

The interrelations between the enterprises and the budget for distributing the net income are conditioned by the development of cost-accounting relations. With the changeover of the branches and enterprises to cost accounting a relatively large amount of the profit remains at their disposal. At the same time there is a reduction in the proportion of funds used for the development of the branch (enterprise) from the budget. Thus in 1980 for the national economy as a whole 50 percent of the profit went into the budget and in 1986—55 percent. The proportion of profit left in the businesses and branches operating according to principles of self-financing is relatively high.

During 1980-1987 the growth of payments from profit into the budget amounted to 141.6 percent. But in 1987 their absolute sum (127.4 billion rubles) was less than in 1986 (129.8 billion rubles), which was caused mainly by the aforementioned proportions in the distribution of profit between the business and the budget with an inadequate increase in the amount. The proportion of payments from profit in the budget incomes in 1980 was equal to 29.7 percent and in 1987—29.3 percent.

The proportions for the distribution of profit between the enterprises and the budget have objective limits that are conditioned by the need to satisfy state demands. Some of these expenditures are strictly determined and they determine the minimum level of centralization. But the optimum level is formed under the influence of all of those problems that are solved by the Soviet state within a given period.

Under the conditions of the changeover to economic methods for managing the national economy budget allocations are used primarily for large and important state projects and for implementing inactive investment policy directed toward acceleration of scientific and technical progress and qualitative transformation of the material base and structure of production.

The enterprises (associations), realizing the principle of self-financing, must necessarily participate on the basis of stable normatives in the formation of the incomes of the USSR State Budget in order to provide for promptly and continuously financing statewide measures, increasing public consumption funds, strengthening the country's defense capabilities, and satisfying other state needs.

It is typical of the USSR State Budget to have an absolute predominance of revenues from the socialist economy, whose proportion exceeds 91 percent of all income.

Since in the country's economy a leading role is played by national property, payments from state enterprises and organizations are the main ones to come into the state budget. As a rule, all recipients of income are enlisted to participate in the formation of the budget, and businesses are also granted certain privileges for payment from profit and turnover tax, depending on the income level, production conditions and conditions for utilization of products (which will be discussed subsequently).

Taking into account the differences between state, cooperative and public enterprises and organizations and also the branch peculiarities of their activity (industry, construction, agriculture, trade and so forth) various kinds of payments into the budget are applied. These payments are constructed in such a way as simultaneously create incentives for the enterprises and organizations to increase the effectiveness of public production and steadily observe a regimen of economy. Deviations in the process of fulfillment of the production and sales plans, increases in production cost, and increased material supplies at enterprises are reflected in the amount of payments into the budget. Consequently, the system of payments also has an important monitoring significance and makes it possible to operationally take measures for financial and credit influence in order to improve the operation of the enterprises.

The main revenues into the budget from state enterprises are payments from profit based on long-term economic normatives. The enterprises make payments into the budget for resources at their disposal, part of the profit (income), and other payments and deductions established by legislation, including deposits into the local budgets. The normatives for the distribution of profit (income) between the enterprise and the budget should provide for equally difficult requirements from the state for the utilization by the enterprises of production capital and labor and natural resources.

The basic provisions for a radical restructuring of economic management approved by the June (1987) Plenum of the CPSU Central Committee envision making the payments from enterprises for the resources they use the main source of income of the state budget from socialist enterprises. According to the 1988 plan the proportion of resource payments of enterprises that have changed over to complete cost accounting and self-financing will be 60 percent.

One of the largest payments is the payment for production capital, which has a long history. Its essence is interpreted from various positions: the determination of the effectiveness of capital investments, the limitation of the demand by the amount of these expenditures and the acceleration of their recoulement, the realization of state ownership of the basic fixed capital, the construction of principles of price setting, the criteria of profitability,

and also from the position of taxation and other positions. The views have sometimes been diametrically opposed: from hypertrope of the functions of this payment to a denial of any role for it.

Many years of practice have weeded out everything subjective in the evaluation of the payment for funds, but at the same time they have also shown how incorrect it is to reduce its role. The significance of payments for funds is expressed in the unity of two of their aspects: as a source of budget income and as an incentive for increasing the financial return from production capital. The combination of the distributive and stimulating function is inherent in other payments for resources as well.

Through the payments for labor resources reimbursement is made for a certain part of state expenditures for training the work force and the social-cultural and communal-domestic service for workers and members of their families. Payments for such natural resources as land and minerals have the purpose of withdrawing differential rent which many enterprises have because of differences in the natural productivity of these resources. At the same time these payments are intended to influence the limitation of the utilization of the aforementioned resources. The same role is played by payment for water which is taken in from water management systems by industrial enterprises.

One of the important issues on both the theoretical and practical plane is that of differentiation or unification of the amount of payment for production capital and labor resources. With respect to payment for funds the Law on the State Enterprise defines the need, as a rule, of a norm that is the same for all enterprises. This approach has been previously repeatedly reinforced by normative acts. But so far we have not managed to realize it. Under the 12th Five-Year Plan the branch ministries were given the right to differentiate payment for funds for the various enterprises, establishing it basically in the amounts of 2, 4, 6, or 8 percent of the average annual value of fixed production capital and normed circulating capital. The changeover to a unified rate is a matter of the future and is linked primarily to equalizing profitability on the basis of improving wholesale prices and rates.

Payments for natural resources because of their economic origin cannot be unified for they are based on the differential approach. Moreover, the quantitative amplitude of the amounts of these payments will obviously increase.

Payment for labor resources has been set in the amount of 300 rubles per one worker of the average registered staff. For individual regions with a surplus of labor a reduced rate is envisioned—200 rubles. Future practice will show the effectiveness of such a unified measure of payment for all enterprises without taking into account

the structure of the workers employed in them. Less profitable enterprises and those planned to operate at a loss can be released from payment for funds and labor resources.

Transforming payments for resources into the main source of income of the USSR state budget does not mean a permanent absolute and relative increase in these revenues from each enterprise. Since these payments are part of the cost-accounting mechanism they should motivate the enterprises to reduce the need for resources to fulfill their production programs. By working to minimize the needs of the enterprises, it is as though resource payments create prerequisites for their own further reduction. Consequently, for individual enterprises payments for resources cannot be constantly growing. It is economically advantageous for the society to reduce these payments.

On the scale of the country as a whole there will undoubtedly be an increase in the volume of all kinds of resources drawn into production although the rates will be lower than the growth in the production volumes will be. Therefore with respect to each national economy payments for resources can in the future be regarded as the basic revenues into the USSR State Budget from the socialist enterprises.

In addition to payments for resources the enterprises make deductions into the budget from the calculated profit according to an established normative. These normatives are formed in two stages. Initially the USSR Gosplan and the USSR Ministry of Finance determine the initial data for the branch ministry as a whole. And then the ministry, on the basis of the initial data, assigns the normatives for deductions into the budget from calculated profit to each enterprise (association) under its jurisdiction. When developing the normatives it is necessary to provide for correspondence between the amounts of payments into the state budget for the various enterprises and the ministry as a whole. The normative for enterprises takes into account the amount of necessary profit remaining at the disposal of the enterprise and used for the economic incentive fund, and also deductions into the centralized funds and reserves of the ministries.

The enterprises are being changed over to complete cost accounting and self-financing under the conditions approved for the 12th Five-Year Plan for economic and social development. Therefore the normative for payments into the budget are experiencing the pressure of the indicators set by the plan and a scientifically substantiated approach to establishing normatives has not been adhered to. Objective, equally difficult requirements from the state for the activity of the enterprises when developing normatives can be fully realized beginning with the 13th Five-Year Plan when the economic normatives, including payments into the budget, will be a constituent part of planning and one of the factors in the

formation of the plan. We are studying the question of utilizing as a stable normative payments of tax on profit from state cost-accounting enterprises.

The second most important (after payments from profit) income source of the state budget is the turnover tax. It is a fixed amount in the retail price for trade and the wholesale price for industry and it is transferred into the budget as the products are sold. This provides for stability and regularity of its income into the budget.

Turnover tax is paid by state and cooperative enterprises and organizations that sell the products they produce or procure themselves at wholesale prices for industry or at retail prices. Depending on the conditions for the sale of the goods, the ones who pay the turnover tax can be the production enterprises or the sales, procurement or retail organizations.

Enterprises that produce products are payers of turnover tax when they sell the products at the corresponding prices both within the enterprise and outside of it through their retail trade network and their public catering enterprises. At the present time about 82 percent of the overall sum of turnover tax comes into the budget from industrial enterprises. In the branches where the sale of products is the responsibility of wholesale trade organizations (of the branch itself or the trade ministries of the union republics), these organizations are also the payers of turnover tax. They receive produced goods at wholesale prices of the enterprises and sell them at retail prices or wholesale prices of industry. The procurement organizations pay turnover tax for the sale of agricultural products outside of their own system.

The predominant method of calculating turnover tax is the method of the difference in prices. It is applied for products for which there are two list prices—with the turnover tax and without it. The sum of the turnover tax is determined in the amount of the difference between the retail or wholesale price from industry and the wholesale price of the enterprise minus trade and sales rebates. This policy is used to calculate turnover tax for goods from light and the food industry and goods for cultural-domestic and household purposes. This method is used for more than 80 percent of the overall sum of turnover tax.

The second method is constructed on a system of rates of turnover tax in percentages of the earnings from the sale in wholesale prices for industry or retail prices. It is applied if wholesale prices for enterprises have not been established for the products. This pertains mainly to goods from local industry, from cooperative and public enterprises, and also a number of goods produced by enterprises of union and republic jurisdiction (metal and textile haberdashery, certain paper items, objects for household use, agricultural equipment, and so forth). This method is also used for the sale of new goods at contractual prices.

The third method of calculating the turnover tax—in set sums (rubles and kopecks) per unit of commodity—is applied only for individual kinds of products (for example, grain products, petroleum products, tobacco and matches).

In order to provide for stability of planning indicators of enterprises (associations) and for their increased responsibility for efficiency and economy in the utilization of natural resources, a review of the rates of turnover tax is conducted once every 5 years.

Under modern conditions the main cost-accounting function of turnover tax consists in equalizing the levels of profitability of the branches, enterprises and groups of goods. Through a system of benefits and rebates one can also stimulate a particular activity of the enterprises. Newly organized state industrial enterprises that are producing consumer goods from local raw material and wastes, those that are under local or ASSR jurisdiction, the corresponding enterprises of consumer cooperation, and so forth are relieved of turnover tax for 2 years. As a rule, earnings from the sale of goods for export to foreign trade organizations are not subject to turnover tax. There are also certain tax benefits.

The overall sum of revenues from turnover tax into the budget in 1987 amounted to 94.4 billion rubles, which is equal to the revenues from 1980 (94.1 billion rubles) but significantly less than for 1983-1984. The proportion of turnover tax in budget incomes amounted to 31.1 percent in 1980 and only 21.7 in 1987.

When describing the tendencies of the turnover tax people usually note only the reduction of the sale of alcoholic beverages. But it is more important, in our opinion, to single out another factor that lies at the basis of withholding the basic part of the turnover tax—the method of the difference in prices. The fact is that wholesale prices of the enterprise have regularly increased while retail prices for many goods have remained the same. Thus there has been a reduction of the quantitative difference in prices that comprises the turnover tax. According to the results of the reform of wholesale prices in 1982 the annual losses of turnover tax exceeded 7 billion rubles. Therefore the fate of the turnover tax should be taken into account in price setting.

A closer coordination between the turnover tax and cost-accounting interests of the enterprises will be achieved as the payment gradually shifts completely to industrial enterprises. For these purposes we shall expand the application of average stable percentage rates of turnover tax. These rates which are calculated on the basis of a particular production structure (planned or existing) will react to the change in the assortment and quality of products, leading to an increase or reduction of the actual proportion of the withholding of the enterprise's net income. Consequently, incentives will be created for increasing profit as a result of improving the

qualitative indicators of production. We are discussing the possibility of direct motivation for the enterprises to produce tax-intensive products by means of deductions from the sum of turnover tax into the enterprise's funds.

Cooperative and public organizations and enterprises under their jurisdiction deposit into the budget income tax from their balance profit. Proportional rates of tax are basically successful in coordinating the interests of the state and the organizations. But the amounts of the rates need to be refined. Certain public organizations are relieved of paying the tax, in our opinion, without sufficient justification.

The income tax paid by the kolkhozes is calculated, first of all, from income received from all kinds of activity at normatives determined taking into account the production potential—the economic evaluation of the land, the provision of fixed capital and labor resources; second, it is calculated from the part of the wage fund of the kolkhoz workers that exceeds the minimum wage in the national economy. Normatives of payments based on the production potential are assigned to the kolkhozes by the rayon agroindustrial associations in conjunction with the financial agencies. The withholding of tax from the wage fund is brought about by the lack of income tax from the private earnings of the kolkhoz workers.

One of the large sources of the USSR State Budget is composed of income from foreign economic activity (trade, rendering transportation services, and so forth). But in recent years the reduction of world prices has had an unfavorable influence on income from foreign trade. Revenues come into the budget from the socialist economy as well: deductions from enterprises of the extraction industry to pay for expenditures for geological prospecting work; timber income; tax from income from showing movies, and other income.

The restructuring of economic management places new requirements on the system of tax payments from the population as well. Under modern conditions they not only provide for the participation of workers in the formation of budget resources but also regulate the level of income of various groups of the population and kinds of activity. Economic methods of managing national economy and improvement of material incentives for labor rule out the establishment of any absolute maximums for earnings. At the same time it is hardly possible to allow unregulated growth of income. Taxes act as the instrument that makes it possible to reduce the upper level of earnings without restricting its total expression. On the whole the funds of the population comprise little more than 8 percent of the budget income, and this proportion is stable.

The use of budget resources and principles of budget financing are very important in the system of management of the national economy.

Budget financing in the national economy is envisioned, as a rule, only for expansion of production. It is also used for covering operational expenditures and subsidies for enterprises that are planned to operate at a loss. The allotment of budget allocations presupposes priority utilization of internal and credit resources.

Budget funds are intended for providing for a structural rearrangement of the economy, forming optimal proportions between subdivisions of public production and between the production and social infrastructure, and for financing comprehensive target programs.

In 1987 expenditures from the state budget for financing the national economy amounted to 245.9 billion rubles or 152.7 percent of the 1980 level. The proportion of these expenditures in the budget increased from 54.7 to 57.1 percent during the period under consideration. Consequently, the growth of incomes for financing the national economy was greater than the growth of basic revenues from the socialist economy in the form of profit and turnover tax (120.6 percent). As a result of this essential difference in the growth rates a situation was created in which the absolute amount of expenditures on the national economy exceeded the amount of the aforementioned income sources. This was also one of the main reasons for the appearance of the deficit of the state budget and the utilization for balancing it of financial resources that are not essentially income.

When financing institutions and organizations of the nonproductive sphere (except cost accounting ones) money from the budget is allotted not only for expansion of activity but also for current maintenance. More and more money from state and cooperative enterprises, trade union and other public organizations is being used for purposes of social development. But budget allocations are the decisive ones and their proportion exceeds 80 percent.

In keeping with the decisions of the 27th CPSU Congress, to counterbalance the previously applied "residual principle" of allotting funds for the development of the social sphere, allocations have been increased for housing construction, health protection, the development of public education and culture, the strengthening of their material base, and other social purposes. On the whole during 1980-1987 the growth of budget allocations for social-cultural measures and science amounted to 141.7 percent. But it is important to note that while the average annual rate of increase of these expenditures during 1980-1985 was at the level of 4.9 percent, for 1985-1987 it increased to 5.6 percent.

The proportion of expenditures for social-cultural measures in science decreased during this period, 1980—33.5 percent and 1987—32.5 percent. In 1988 it is intended to change this tendency significantly and the proportion of expenditures for social-cultural measures

and science will increase to 34.6 percent with the same simultaneous relative reduction of expenditures on financing the national economy to 54.3 percent.

The next stage should be a changeover to planning and financing state expenditures for the development of the social sphere on the basis of long-term economic normatives and financial norms that are oriented toward the final results of the activity of the corresponding branches, institutions and organizations.

Expenditures of the USSR State Budget are divided into expenditures of the union budget and expenditures of the budgets of the union republics. The union budget provides for the implementation of measures of statewide significance in the area of economic and sociocultural development in the country's defense. From this budget we finance industry, construction, agriculture, transportation, communications and other branches that are under the jurisdiction of unionwide ministries and departments; expenditures are covered for institutions and organizations under union jurisdiction in the sphere of education, public health, science, and culture; it provides for payment of personal pensions of union significance, pensions and stipends for military servicemen and their families, and so forth.

The state budgets of the union republics are used to finance business under their jurisdiction and measures of republic institutions and organizations in the area of education, public health, science, culture, pension support and expenditures on maintaining agencies of state authority and management. Funds from local budgets are used for financing enterprises and organizations under the jurisdiction of local soviets of people's deputies. Municipal and housing services, schools and other children's institutions, hospitals and polyclinics, clubs, libraries and so forth.

The decisions of the 27th CPSU Congress and the 19th Party Conference determine the need to improve and develop in the national economy democratic centralism which combines unified centralized leadership with initiative, creative activity and a high degree of responsibility at all levels of management. The regional aspect of management of economic and social development is becoming exceptionally important.

For purposes of expanding the rights and increasing responsibility of the councils of ministers of the union and autonomous republics and the soviets of people's deputies in providing for comprehensive production and social development of the region, principal changes are being made in the formation of financial resources, territorial financial-budget planning is being restructured, and the sphere of utilization of resources from local budgets is being expanded.

The 19th Party Conference reinforced and developed previously adopted decisions concerning the organization of management of local affairs. The resolution of the

conference stipulates that the soviets of people's deputies should have sources of income based on long-term normatives, including revenues from all enterprises located on their territory and they should accumulate the funds necessary for economic development and improvement of the life of the population, protection of the environment, and the solution of other essential problems.

The significance of the local budgets is conditioned by the fact that they are a channel for the financing of more than 80 percent of all the budget expenditures on public health, 60 percent of the expenditures on education, and more than 95 percent of the expenditures from the country's budget on housing and municipal services. At the same time the role of local budgets in the financing of industry, construction and agriculture is still insignificant.

With the changeover of the enterprises (associations) to complete cost accounting and self-financing payments from profit into the local budget have become universal and mandatory for enterprises under any jurisdiction.

The establishment of deductions into the local budgets from the profit of enterprises under union and republic jurisdiction is not so significant financially as it is socioeconomically. Local budgets, as a rule, have been balanced and they have always been given the necessary money by way of regulation and sometimes in the form of a subsidy. The main goal of these measures is to strengthen the interconnection between local budgets and the regional economy and to provide for material interest in the development of "their own" (local jurisdiction) and "other" (of higher jurisdiction) enterprises and organizations and to coordinate statewide territorial and departmental interests.

The lack of uniformity in the distribution of republic and union enterprises and the incommensurability of their profit and the amount of one local budget or another have made it expedient to take a differentiated approach to solving the problem of which budget should receive deductions from the profit of these enterprises.

In keeping with the decisions of the June (1987) Plenum of the CPSU Central Committee a gradual transition is being made to the formation of budgets of union republics and other regions on a stable normative basis. Beginning with the 13th Five-Year Plan this policy will apply everywhere.

Stable normatives for the formation of income that are established for 5 years make it possible for local authorities to know ahead of time which funds they will have at their disposal. There will be incentives to increase the contingents of regulating revenues not only in the given year, as with the annual establishment of percentages of deductions, but also, which is especially important, for

the future. There will be more interest in increasing their own (assigned) incomes, because for the next year increasing them will not be a reason for reducing the regulating incomes.

Another, no less important way of strengthening the link between local budgets and the regional economy consists in strengthening the internal economy of local soviets of people's deputies. This means, in the first place, overcoming the unjustified centralization of management of the economy from above which has been the consequence of creating numerous large associations directly under the jurisdiction of the branch ministry which include all enterprises with similar activity regardless of where they are located. Enterprises and associations under union jurisdiction that produce goods consumed basically within the union republic are gradually being changed over to republic jurisdiction and some of the republic enterprises (associations) whose sphere of activity is a particular region—to the local budgets. But this process needs to be accelerated.

In the second place, this means the creation in the local areas of new enterprises that provide for producing consumer goods and rendering services to the population. The development of local industry, the increased output of goods in mass demand at its enterprises, and the expansion of the sphere of services rendered to the population are a subject of constant attention from the councils of ministers of the union republics and the local soviets of people's deputies. At the same time this is becoming a growing source of income for the corresponding budgets. Finally, a reserve for increasing the incomes of the local budgets is the development of cooperative and individual labor activity, which leads to increasing tax revenues.

The strengthening of the connection between the local budgets and the regional economy is taking place not only along the line of forming their income but also along the line of utilizing resources. According to the basic provisions for a radical restructuring of economic management approved by the June (1987) Plenum of the CPSU Central Committee, there is a significant expansion of the composition of tasks of economic and social development of the regions, which should be resolved by the local soviets of people's deputies using their own budgets. They will consistently be given responsibility for financing the construction of new enterprises under local jurisdiction, the development of the regional production and social infrastructure, and other measures of regional significance.

In keeping with the decisions of the 27th CPSU Congress and the 19th Party Conference it will be necessary to consistently strengthen statewide finances; to increase the stability of the revenue part of the USSR State Budget and its role in the strengthening of the social

orientation of the development of public production and its increased effectiveness; and to provide for more efficient and economical utilization of the state's monetary resources.

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### Banking Operations, Reforms, Problems Described

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[Article by S.M. Ignatyev, candidate of economic sciences, Leningrad Financial-Economics Institute imeni N. A. Voznesenskiy: "The Banking System: Paths to Reform"]

[Text] A constituent part of the radical economic reform being implemented in our country is restructuring of the credit and monetary mechanism. But first of all let us turn to its problems and consider the processes of formation of monetary funds in the national economy.

### Channels for the Input of Money Into the Economy

Before money intended for paying wages arrives in the cash register of the enterprise it is "removed" from its current account in the bank. Money can be deposited in the current account from the account of another enterprise—the consumer of a product, and also in the form of earnings from direct sale of goods and services to the population.

It might seem that we are dealing with a closed monetary cycle in which the overall quantity of money does not change. More money in one current account means less in another, more money among the population in the form of cash means less in the current accounts of enterprises or in savings accounts. But in fact this is not so: monetary circulation is not at all closed. The basic factor "guilty" of change in the quantity of money is credit.

Let us consider a simplified schema of the Gosbank balance assuming for the time being that it is the country's only banking institution.

The Gosbank balance reflects the state of affairs at a particular point in time and not the circulation over a certain period. Therefore the only item of the assets is the sum of residual indebtedness of economic organizations and the populations on Gosbank loans at the given moment and not the overall sum of credit issued by the Gosbank over the period. The last item of the liabilities is the accumulation balance (amount by which income exceeds expenditures) of the state budget during all the time preceding the given moment.

We shall call the sum of the first three items of the liabilities the "monetary mass" or simply "money." This definition differs from the generally accepted one in which "monetary mass" means only the mass of cash money in circulation. Below we shall answer the question of why we include in the concept of "monetary mass" savings deposits and funds of organizations in current and running accounts but have not included state budget money in Gosbank accounts.

First let us consider a couple of operations that do not change the monetary mass. Let us say that the enterprise has paid wages from its current account in cash. The sum for item 3 of the liabilities of the Gosbank balance will decrease but for item 1 of the liabilities it will increase. If the population has put its money in savings deposits, the sum for item 1 of liabilities of the balance will decrease but for item 2 of the liabilities it will increase by this amount. Let us assume that the population has acquired goods in retail trade and the earnings have been transferred to the current accounts of trade organizations. In this case the sum for item 1 of the liabilities will decrease but for item 3 of the liabilities it will increase.<sup>1</sup>

Now let us consider the basic operation that causes a growth of monetary mass. The enterprise has received credit from the Gosbank (noncash—for any purpose) and the loan is transferred into the current account of the enterprise. The sums for article 1 of the assets and 3 of the liabilities increase. The monetary mass has increased.

Let us direct our attention to the fact that the Gosbank has issued the loan not "at the expense" of previously "enlisted" savings deposits from the population or funds in current and running accounts of organizations. These items are usually called "credit resources." When the Gosbank issued the credit it actually created new money.

It is not by accident that we put the term "credit resources" in quotes. Resources, as a rule, mean a restriction on the amounts of utilization. But items of liabilities of the Gosbank balance do not impose restrictions on the loans issued by the Gosbank and therefore the term "credit resources" has no meaning in this case. The term "credit resources" as applied only to articles of the liabilities of the balance of a commercial bank. If the commercial bank does not have reserves of liquidity it can issue a loan only after it enlists additional contributions (deposits) or receives a loan from the central bank.

It would be wrong to assume that issuing loans affects only the amounts of money in the current accounts of organizations. An enterprise having received a loan can use it to pay wages, which increases the quantity of money among the population. There are, to be sure, various restrictions on the payment of money by enterprises to their employee, for example the normative ratios among types of growth of the average wages and labor productivity. But these restrictions are not much of an impediment to transforming noncash money into

cash. In the first place, the normative ratios cannot take into account beforehand all of the circumstances of the activity of the enterprises and therefore they are frequently adjusted to the actual ratio of rates of increase in wages and labor productivity. In the second place, if an enterprise having received a loan cannot use the money it has received for wages, possibly this can be done by the suppliers to whom the money is transferred to pay for products that have been delivered or by the suppliers of these suppliers. In one way or another a large part of the money formed as a result of the granting of credit by the Gosbank ends up in the pockets of the population or in savings accounts.

And so the issuance of a bank loan increases the monetary mass. It is not difficult to guess that the repayment of bank credit by the enterprise reduces it.

Another important source of changes in the monetary mass is the balance of the state budget. When budget revenues exceed expenditures this means an increase in the sum in item 4 of the liabilities of the Gosbank ballots and a reduction of the monetary mass (with an unchanged volume of credit investments). Conversely, a deficit in the state budget leads to a reduction of the sum in item 4 of liabilities and to an increase in the monetary mass.

Two more operations are accompanied by a growth of the monetary mass—the purchase of gold by the Gosbank from gold-extracting enterprises and the receipt of foreign currency from exports. For the sake of simplicity we shall not consider them. Incidentally, the reader can independently trace the reflection of these operations in the Gosbank balance by first including in the assets of the balance the items "gold" and "foreign currency."

People frequently think that money "appears" out of profit of the enterprises. Is this true? If revenues into the current account of the enterprise for products sold exceed expenditures, the residual of funds increases. But the monetary mass does not increase at all. If the four channels for increasing the monetary mass that have been considered (bank credit to enterprises and the population, the deficit of the state budget, the purchase of gold by the Gosbank within the country, the export of goods and services) are "closed off," then the growth of the residual funds in the current account of one enterprise is necessarily accompanied by a reduction of the residual "free" money among other enterprises or the population.

At the present time, in addition to the Gosbank, there are five other independent banks functioning in the USSR. Vneshekonombank, Promstroybank, Agroprombank, Zhilsootsbank and Sveregateleyny Bank. But since these banks have not been given the right to determine independently the volume of credit investments, this cannot make significant changes in the mechanism for regulating the monetary mass that is under consideration. The Gosbank balance cited above can be regarded

as a combined balance of all banks. As before, the growth of bank credit to enterprises in the population, the deficit of the state budget, the purchase of gold by banks within the country, and the export of goods and services increases the monetary mass. Conversely, when bank credit is paid off, when budget revenues exceed expenditures, when the banks sell gold within the country and when they import goods and services these decrease it.

Let us return to the basic operation that increases the monetary mass—the issuance of credit by a bank to an economic organization or the population. One might get the impression that since the banks, when they issue loans, create new money as though "out of thin air," they can increase credit investments and the monetary mass without any restrictions. The banks can indeed do this but not "with impunity," in any case for the national economy. As will be shown below, the dynamics of the monetary mass is strongly affected by the functioning of the economy. The limits to credit are determined by those negative consequences to which excessive growth of the monetary mass leads.

It should be emphasized that the problem is not at all that the banking system creates new money "out of nothing." The problem is what a "health" monetary mass should be and what will happen if there is "too much" or "too little" money. But before turning to this question we should introduce one very important concept—the "demand for money."

#### Demand for Money

This concept is used extensively in foreign economic research. We shall make a distinction between the demand for money on the part of the population and on the part of economic organizations.<sup>2</sup>

The demand of the population for money is the level at which the population strives to maintain its supply of real buying power in the form of accumulated monetary funds (both in the form of cash and in the form of savings). In Soviet economic literature the concept "voluntary monetary accumulations of the population" is closest to the concept of the "demand of the population for money."

It is important to note the following: in the first place, the demand for money is a demand for a "supply," and not for a "flow," and in the second place the population when determining its demand for money pays attention to the price level. For example, if at a given price level the population is trying to have a supply of money of 100 billion rubles, with a price level that is twice as high, all other conditions being equal and wanting to have the same supply of real buying power, the population will strive to maintain monetary accumulations at the level of 200 billion rubles. Therefore by demand for money we mean demand for "real" and not "nominal" money. "Real money" is the quotient from dividing the quantity of "nominal" money by the price index.

The amounts of the demand of the population for money are conditioned by the real economic situation. But since they are determined as a result of decisions of individual people, the immediate demand for money is represented as some amount of the supply of money "desired" by the population.<sup>3</sup>

The population's demand for money depends first and foremost on the real income. The higher the real income, all other conditions being equal, the greater the supply of real buying power in the form of accumulated money the population strives to have. The population's demand for money can also depend on other factors. For example, on 1 January 1988 voluntary insurance of supplementary pensions was introduced. This apparently will somewhat reduce the population's demand for money. While previously many people tried to have monetary accumulations so that when they went on to a pension they would not have to lower their customary level of consumption, now it is possible in addition to accumulating money to insure supplementary pensions.

Now let us consider the demand of economic organizations for money. The organization cannot precisely foresee the time periods and amounts of future monetary incomes and payments. Therefore it maintains a certain supply of money in its current account for prompt payment. When this supply is reduced there is a greater risk of late payment and the sanctions that ensue from this. On the other hand, keeping money in bank accounts involves certain expenditures. For example, by reducing the money in a current account it is possible to reduce indebtedness on loans and thus reduce interest payments. Moreover, an enterprise by reducing the sum in its current account can increase its real resources (equipment, supplies of raw material) and, correspondingly, the amounts of production and income. Thus we are speaking about expenditures of "missed opportunities." One can assume that the enterprise will try to maintain a residual of "free" money at a certain "optimal" level which, on the one hand, eliminates any significant risk of violating payment discipline and, on the other, does not lead to large expenditures of "missed opportunities."

A most important factor that determines the demand of economic organizations for money is the production volume. The higher this volume the more monetary revenues and payments there are and the higher the level of the average supply of money in the current accounts maintained by the enterprise. The demand of economic organizations for money can also depend on the interest rate on bank loans, the severity of sanctions for late payments, and other circumstances.

#### **Consequences of Excessive or Inadequate Growth of the Monetary Mass**

What will happen if there is "too much" money? Let us consider the situation when the prices are centrally regulated and rigidly fixed at some constant level. Let us assume that at some initial point the monetary mass

corresponded to the demand of the population and organizations for money. Let us say that beginning with this moment the growth of the monetary mass has outstripped the growth of the demand for money. To be precise let us assume that the more rapid growth of the monetary mass was caused by excessive growth of credit investments in production and commodity supplies.

The rapid growth of credit investments makes it possible for the enterprises to form the increase in production and commodity supplies not so much from their own incomes (profit) as with bank loans. The enterprises are given the opportunity to pay additional sums in the form of wages and bonuses, which increases the population's total demand for goods and services.

Moreover, the "easier" credit conditions make it possible for the enterprises to maintain and even to increase production supplies and stockpiles of incomplete production and construction that are unjustified from the standpoint of the society. Material resources instead of acquiring the form of a completed product remain as supplies which reduces the supply of goods and services to the population. A commodity deficit arises. The growth of monetary accumulations of the population, including in the form of savings, and a more rapid growth of the population's demand for money expand the consumer demand. The commodity deficit is aggravated even more.

If the prices are fixed at a constant level and depend on the ratio between supply and demand, the growth of the monetary mass and the more rapid growth of the demand for money lead to an increase in prices and nominal incomes. It is as though the growth of prices "devalue" the monetary mass. Thus the pressure is partially removed through the demand for goods and services and the real supply of money of the population and organizations is brought in line with the demand for money.

Today the excessive growth of the monetary mass causes an increase in prices in the kolkhoz market and a commodity deficit in state and cooperative trade. State retail prices cannot be considered absolutely stable. They are periodically revised. And here one pays attention to the ratio between supply and demand. Prices for deficit goods, as a rule, increase and for goods for which there is not a sufficient demand they decrease. Therefore excessive growth of the monetary mass in the final analysis leads to an increase in state retail prices.

Moreover, one should not forget about "hidden" price increases where the producers replace some product with a similar one but the price increases to a much greater degree than the consumer properties improve. Frequently the quality of goods deteriorates while the price remains the same. In both cases the price per unit of consumer effect increases. The intensiveness of "hidden" price increases becomes stronger as the commodity deficit is aggravated.

What happens if there turns out to be "too little" money, that is, if the growth of the monetary mass lags behind the growth of the demand for money? Serious difficulties arise with the sale of products. Commodity supplies begin to accumulate while there is a reduction of monetary funds in the current accounts of the economic organizations. This can lead to a retardation of the growth of production or even to a temporary curtailment of it. If the prices are mobile then a certain reduction of them can contribute to a certain degree to a resorption of commodity supplies. It is as though a price increase increases the value of the monetary mass. Thus the real supply of money is "brought up" to the demand for money. In any case the automatic restoration of the balance can be long and very painful.

And so "too much money" is bad and "too little money" is also bad. In order to provide for a balance of commodities and money with a stable price level the monetary mass must be increased strictly in keeping with the growth of the demand for money.

But is it possible in some way to measure this demand? Is it possible to predict it for the future? This can hardly be done absolutely precisely. Especially when the domestic market has been unbalanced for many years.<sup>4</sup>

Nonetheless it is possible to "get a feel" for the demand for money. The total demand for goods and services still clearly exceeds the supply. This shows that there is "too much" money, that the monetary mass exceeds the demand for money. Therefore in order to provide for commodity-monetary balance it is necessary to significantly reduce the growth rate of the monetary mass. To do this one should either significantly reduce the growth rates of bank credit investments or provide for a significant positive balance of the state budget or do both simultaneously.

A retardation of the growth rates of credit investments retards the growth of wages and, consequently, the growth of the population's total demand for goods and services. This also leads to a retardation of the growth of material supplies and stockpiles of incomplete production and construction, which causes an increase in the demand for products on the commodity market. The growth of the monetary mass slows up, which will also contribute to restoring the commodity-monetary balance. A positive balance of the state budget will also contribute to this restoration. When holding back the growth of the monetary mass it is necessary to take into account the possibility of a certain devaluation of it as a result of the forthcoming price reform. In the future the determination of the volume of bank credit investments in the amount of the state budget balance should be sold to balance the market of goods and services with a relatively stable price level.

Why have we included in the concept of "monetary mass" the savings of the population in addition to the cash money? The fact is that it is possible to guarantee

easy and quick transformation of savings into cash money and vice versa, and with a constant ratio: one ruble in cash is equal to one ruble in savings. Therefore the population when planning its purchases takes into account money in savings precisely as if it were cash.

We have also included money in current and running accounts of organizations in the "monetary mass." When planning their expenditures for goods and services organizations pay attention to accumulations in bank accounts. And they frequently present a demand for the same goods as the population does (office goods, construction materials and so forth). Moreover, wages and other payments to the population are made out of the bank accounts of the organization. Therefore this money can be regarded as a potential resource of buying power of the population.

Conversely, state budget money in bank accounts cannot be included in the monetary mass since it cannot be regarded as a reserve of buying power of the government. Gold or foreign currency can serve as a reserve for this kind of power but not national currency that is created by banks under government jurisdiction. The state budget cannot be regarded as something analogous to the budget of a family, organization or city. In addition to the traditional functions inherent in other budgets, the state budget should perform one more function—that of providing for a balance between the total demand and total supply of goods and services with a stable price level. It is precisely on this basis that one should plan the balance of the state budget and, incidentally, the volume of bank credit investments as well.

One more argument in favor of determining the "monetary mass" as the sum of cash money, savings deposits and money in current accounts of organizations is that it is precisely this sum that is rigidly controlled by central economic agencies that determine the overall volume of credit investments and the balance of the state budget. At best the central agencies can only "influence" the quantity of cash in circulation. The sum of cash in circulation is to a considerable degree the result of the behavior of the population, which decides for itself which part of the accumulated money to have in the form of cash and which in the form of savings.

#### Cost Accounting of Banking Institutions

How should the limited volume of bank credit investments be distributed among individual borrowers so that these investments are used only for measures that are highly effective from the social standpoint? The banking mechanism for distributing credit investments should solve this problem, that is, "weed out" those possibilities of utilizing credit which do not provide for sufficient effectiveness."

Credit is used by tens of thousands of economic organizations and therefore decisions regarding granting loans cannot be concentrated in a single center since a significant percentage of these decisions are made in lower level bank institutions. It is possible to sharply increase the effectiveness of credit investments by changing these institutions over to cost accounting. This will produce the necessary criteria for the effectiveness of the operation of banking institutions and will link the earnings of bank workers to the results of their activity.

An important step in this direction is envisioned in the decree concerning the restructuring of the banking system adopted in July 1987. The main result of banking activity is profit, from which economic incentive funds are formed according to long-term normatives. The banking institutions of the autonomous republics, krays and oblasts are determined as the basic cost accounting units.

Yet the banking system retains features which, in our opinion, contradict the principles of cost accounting. In the first place, the rigid distribution of clients among banking institutions remains in effect. Each enterprise can receive credit only from one banking institution. Thus banking institutions are placed in a monopolistic position with respect to these borrowers. In the second place, the rigidly centralized policy for establishing interest rates remains. Centrally established and therefore, as a rule, unequal interest rates inevitably presuppose an administrative policy for distributing credit investments analogous to the fund distribution of resources in material and technical supply. The higher banking agency uses unclear criteria to establish the credit limit for lower agencies and so forth right down to the borrowers. It is very difficult to distribute credit investments correctly under these conditions.

The banking system should be more flexible both respect to the distribution of limits of credit among banking institutions and with respect to the distribution of credit investments among individual borrowers. At the same time it is necessary to have strict centralized control over the overall volume of credit investments and the amount of the monetary mass. What should be the "construction" of the banking system so that it will meet these requirements? For convenience of presentation first let us assume that the banking institutions consists of a single bank—the USSR Gosbank. A branch of the Gosbank issues credit to economic organizations under conditions and with interest which are determined by the bank branch in such a way as to provide for approximate balance between the demand for this credit and the amount of temporary limits on credit submitted to the given branch by the Gosbank board. Each economic organization is given the right to apply for credit not only to the bank branch where its account is located, but also to others. Thus one eliminates the monopoly of the bank branch with respect to the borrowers.

Temporary limits on credit are like loans from the Gosbank board to branches, which can grant them for various periods (from several days to several years). The Gosbank board establishes these conditions and the interest rates, which when the demand of the branches for credit limits are satisfied provide for equality of the overall volume of credit "in reality" and according to the state plan. Let us recall that planning the volume of credit investments like the amount of the balance of the state budget should serve to solve the problem of providing for commodity-monetary balance with a relatively stable price level.

The changeover to balanced interest rates that are not centrally established will provide for distribution of credit investments among borrowers in keeping with the economic effect that is achieved, it will prevent excessive growth of material supplies, and will contribute to strengthening cost accounting both in the production sphere and in the credit system itself.

Most of the income of the Gosbank division should be formed as a result of the division in interest rates for various loans issued by the branch to the economic organizations and for temporary limits of credit received by the branch from the Gosbank board.

The bank branch must be given full material responsibility for the reliability of the distribution of credit investments. In the event of the reorganization or elimination of an insolvent enterprise there is a borrower from a given bank branch, the branch must be reimbursed for only part of the indebtedness and the rest of it is included among the losses of the bank branch. The wage fund for its workers should be formed depending on the amount of income of the bank branch.

#### The Banking System and Insolvent Enterprises

What happens if the enterprise has turned out to be insolvent and the bank branch is associated with it, fearing losses as a result of its possible bankruptcy, refuse it credit? Does liquidation or reorganization begin immediately? Obviously this would be economically inexpedient since the enterprises will begin to fear highly effective but risky measures. Moreover, a chain of nonpayments can begin.

An insolvent enterprise, in our opinion, should be given a chance by granting it the right to "special" credit. This credit must be given to it by the Gosbank branch where the enterprise is located in excess of the limits of credit allotted to the branch by the board. For "special credit" it should pay interest at a higher rate than is established centrally. "Special" credit can be used for meeting commitments to suppliers (in order to avoid the appearance of a chain of nonpayments) and to workers in the state budget, but not to pay off indebtedness on credit or loan interest. If special credit is not paid back within the established time period (say 3 months), the bank branch raises the question of reorganizing the enterprise.

The bank branch does not bear material responsibility for funds granted on "special" credit. When the enterprise is reorganized or liquidated the indebtedness under special credit that has not been repaid is included in the losses of the Gosbank board, which means an automatic reduction of state budget income. In the event that "special" credit is repaid, the entire sum of interest is transferred to the Gosbank board and from there into the budget.

"Special" credit is a kind of "emergency" credit. It is necessary for the operation of an insolvent enterprise for a limited period of time if the bank institutions have refused to grant it credit. Special credit is granted not on behalf of the bank branch that grants it but on behalf of the Gosbank board or, one might say, on behalf of the society as a whole. At the same time special credit should also be a sanction with respect to the borrower. In addition to higher interest rates it is necessary to envision strict limitations on wages, above all those of the enterprise managers. Thus during the period when it is taking advantage of special credit the enterprise loses some of its cost accounting and self-management rights. A reduction of the wage fund will contribute to restoring the solvency of the enterprise.

The Gosbank board, when determining the overall sum of limits on credit granted to the branches must envision the possibility of "special" credit in such a way that the overall volume of credit investments (including indebtedness through special credit) corresponds to the state plan.

#### Specialization of Banking Institutions

Specialization in banking as in anything else can produce a significant effect. Yet branch specialization of banks, it seems to us, should not be as strict and compulsory as is envisioned by the decree concerning reform of the banking system adopted in June 1987. It would undoubtedly be useful for bank workers to know the specific features of the branch and be able to make competent decisions. And it is more convenient for the enterprise to go to a bank that understands its problems. But this is no justification for individual banks' having a monopoly on service for specific borrowers. On the contrary, in order to maintain competition among lower-level banking institutions and to avoid a "dictatorship of the bank" it is necessary to grant each enterprise the right to apply for credit to various banking institutions.

Nonetheless compulsory specialization of banking institutions is apparently still expedient but not according to the branch indicator but according to the time periods for which the loans are granted. The fact is that for long-term credit it is typical to have a time lag between the granting of the credit and the appearance of its real economic effect. Under these conditions it is extremely difficult to coordinate the incomes of individuals who made the decision to grant long-term credit with the actual effectiveness of this decision. Therefore long-term

credit can hardly be adapted to cost accounting to the same degree that short-term credit can. It is expedient to distinguish these organizationally. The time period for the loans issued by Gosbank branches can be limited, say, to 2-3 years. Loans for a longer period could be granted on a competitive basis by a special bank for long-term credit. Without giving formal proof let us note that the interest rate for long-term credit should approach the interest rate for Gosbank credit.

#### A Two-Level Banking System

The banking systems of developed capitalist countries and also of Hungary and Yugoslavia can be called two-level. The country's Central Bank (the "upper" level of the banking system), as a rule, does not grant credit to branches of the national economy. Its borrowers are commercial banks which form the "lower" level of the banking system. Commercial banks independently determine the volumes of credit investments and distribute them among individual borrowers. And the credit resources of the commercial bank are not only loans from the Central Bank but also (which is important to emphasize) deposits (accounts) of the population and organizations in the given bank. The commercial bank must maintain part of its assets (in a centrally established percentage of the sum of deposits) in the form of mandatory reserves in accounts in the Central Bank.

The changeover to a two-level banking system is possible in principle in our country as well. The basis for this changeover could be the organization of the USSR Gosbank proposed above. In this case the USSR Gosbank would be transformed into the Central Bank and its divisions would be reorganized into independent banks which would be given the right to use as resources credit and a certain part of the deposits of the population and organizations located in them.

A two-level banking system has both merits and serious shortcomings. On the one hand, independent banks have an interest in attracting deposits, which can improve the quality of service to the depositors. On the other hand, it is difficult for central agencies to control the monetary mass. With a two-level banking system the Central Bank directly determines only the so-called "monetary base." That is, the sum of money of independent banks in accounts in the central bank and cash in circulation. And the amount of the monetary mass depends not only on the "monetary base" but also on other circumstances, particularly the proportion into which the population divides accumulated money into cash and deposits. This shortcoming of the two-level banking system can be manifested especially sharply during the period of large institutional transformations when changes in the behavior of economic agents can entail changes in the monetary mass that are difficult to predict. Therefore if the changeover to the two-level banking system is expedient it will be only in the final stage of the restructuring of the economic mechanism.

Footnotes

1. Earnings of trade organizations are more frequently transferred into their special loan accounts in the bank. Thus indebtedness of trade organizations on previous loans is eliminated. The monetary mass decreases this way.
2. For simplicity of presentation we shall not pay attention to the sums of money in accounts of budget organizations and ispolkoms of local soviets.
3. V. M. Polterovich distinguishes "potential" from "active" demand for goods (Polterovich, V. M., "Problems of Measuring the Shortage of Goods," EKONOMIKA I MATEMATICHESKIYE METODY, 1983, Vol XIX, Issue 5, pp 882-883). In this article by demand for money he means the "potential" demand, that is, the "best" supply of money from the standpoint of the population under the conditions when there is no commodity shortage and citizens are not experiencing difficulties in labor placement.
4. If the domestic market were balanced for a number of years, this would show that the "real" monetary mass ("nominal" monetary mass divided by the price index) approximately corresponded to the demand for money. Then by applying methods of regression analysis it would be possible to construct the functions of demand for money and use them for predicting the demand for the future.

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**Enterprises' Experiences in Issuing Shares Discussed**

**Nikolayev-Lvov Building-Structures Combine**  
18200047a Moscow SOTSIALISTICKAYA  
INDUSTRIYA in Russian 3 Sep 88 p 2

[Article by A. Avroshko: "Combine Sells Shares"]

[Text] Not so long ago SOTSIALISTICHESKAYA INDUSTRIYA wrote about one of this country's first shareholding enterprises—the Nikolayev-Lvov Building-Structures Combine. Its collective has continued to seek out new economic methods for managing production.

Letters have arrived here from practically all corners of the country.

"I read in the newspaper that your enterprise has created a shareholding company," writes V. Izoskin from Norilsk, above the Polar Circle. "Please inform me what account I can use to set up an investment of 10,000 rubles." Kolkhoz member N. Tutynin, from the Altay village of Klepechikha, and S. Dyatel, an inhabitant of the city of Brovara, Kiev Oblast, each would like to acquire 2,000 rubles worth of shares.

"Until quite recently," said V. Venchak, as he shut the voluminous file-folder, "we used to reply to all such requests with polite refusals. The fact is that the shareholding company operated under the conditions of a state enterprise and had the right to sell shares only to our own employees. But now the situation has radically changed. By a decision of the council of the workers' collective, we have fully leased the combine from the Ukrselstroyindustriya Association for a period of eight years. And now we have the right to attract funds to develop it from any willing sources, as well as to sell shares to our own close associates."

In July of the present year the Nikolayev-Lvov Building-Structures Combine became the first shareholding-leasing socialist enterprise in the Ukraine.

"It's convenient," explained D. Pilipak, the chief of the concrete-mixing shop, "that I don't have to write out a requisition for every little thing, collect permits, and prove things. Everything is set forth in the quarterly checkbook: how much, what, and for what sum the collective has the right to spend. Tear out and check and take what you ned without wasting any words. But, of course, in doing this, you don't forget to calculate that the more you economize, the more substantial will be your bonus...."

And they do calculate this. In that same concrete-mixing shop at first they even started to temporarily increase their spending. They concluded an agreement with a laboratory and paid by checks for research work directed at finding out what set of additives should be used in order to economize on cement, while not losing in quality.

Step by step a system of managing all production activity by means of cost accounting took shape at the Nikolayev-Lvov Combine, but this is impossible without complete self-management. Everyday practical experience, unfortunately, has not been of much help here. The association, for example, since it is concerned for its own well-being, strives to act in accordance with the following principle: whoever takes more should bear a heavier load, while forgetting to distribute material goods in proportion to the contribution made. Furthermore, even the ministry is not averse to adjusting the plan assignments virtually every quarter. We needed something to break up all these ways. And it was here that the Law on State Enterprises came to offer aid. By relying on it, they decided to create a shareholding company in order to obtain in that manner the funds which, in case of necessity, would make it possible to increase their working capital.

They worked out and approved a statute on a shareholding company. They typeset and printed up securities in value denominations of 50, 100, 200, 500, and 1,000 rubles. All the operations having to do with the shares are conducted by one of the staff bookkeepers and cashiers for a modest supplement to his basic wage.

In order not to complicate the process of computing the dividends—5 percent annually—the sale of the shares was conducted within a period of just 18 days. This was sufficient to see to it that every employee of the enterprise became a shareholder. They all know that at any moment they can exchange their securities for money.

"Without any exaggeration, it can be stated," said Director V. Venchak, "that the shareholders' money is already making money. If for last year as a whole the combine's net profit amounted to 823,000 rubles, already during the first six months of the present year we have made 480,000. I think that we will have at least a million by the end of the year."

The council of the workers' collective, together with the trade-union committee, has adopted a decision to direct most of the profits into developing the social sphere. Before the year's end construction will be completed here on a 120-apartment apartment house; a hothouse is under construction, as is also a rest and recreation center in the Carpathians. Plans are to establish in Nikolayev a neighborhood of 40 cottages with all the conveniences, for two families each. An indoor swimming pool is the next project in line.

#### Lanchukhti Experimental-Production Tea Combine

18200047b Tbilisi ZARYA VOSTOKA in Russian  
3 Sep 88 p 2

[Article under the "New Shoots" rubric by Nugzar Kinkladze, correspondent, and Dali Sadatirashvili: "A Share Is a Right to a Profit"]

[Text] They are talking about this innovation with interest in the rayon. The fact is that the Lanchukhti Experimental-Production Tea Combine has introduced yet another interesting form for economically renewing the enterprise and improving its activity. What we are talking about is the combine's issuing of so-called securities—shares.

They are being issued in denominations of 100, 250, 500, and 1,000 rubles, and they are turned over to the share-buyers when the latter pay the indicated amount into the enterprise's cash-office.

Possession of a share allows its owner to receive a certain sum of the combine's profits. It means, in turn, that the combine must organize production in such a way that every year economic effectiveness and a profitable operation are ensured.

And last but, by no means least, is the question of what the combine will use the funds obtained from the shareholders for. First, for the development of production—its expansion, for the introduction of developments to ensure technical progress.

Also of importance is the question of who can obtain shares. In the first place, of course, the combine's workers and office employees, as well as the collective of the rayon agro-industrial association. Likewise able to become owners of shares are the workers and office employees of those enterprises with which the experimental-production combine has established business relations, let's say, for example, by means of supplying raw materials or material and technical resources.

The experimental-production combine began to sell its own shares on 1 August. They have already been acquired by more than 60 of the combine's workers and office employees in the total amount of 150,000 rubles. Among the first owners of these securities were the combine workers Gulnara Ebralidze, Shorena Chkhaidze, shift foreman Zorbeg Sanadze, shop chief Vlas Meliva, brigade-leader Nunu Pirtskhlaishvili, and many others.

The following detail is noteworthy. Prior to the sale of shares many workers and office employees addressed such questions as the following to the enterprise's directors: does a shareholder have the right, upon the very first demand, to receive the money that he paid for the securities, i.e., their face value? Of course, the combine, is obligated to return the indicated sum.

Or another point: it could happen that a shareholder leaves his job at his own volition, or for violating various types of the enterprise's internal procedures. However, even in this case, the amount due him is returned, again in the amount of the shares' face value.

Putting into motion the sale of securities is a new business matter for the combine, allowing it to attract additional funds for the development of production on mutually advantageous conditions.

\* \* \*

The shares issued by the Lanchukhti Experimental-Production Tea Combine are unprecedented in this republic. It is an interesting innovation. And, of course, it requires basic development. People must have a precise idea of what a share is, what rights and possibilities their holders possess. We asked the leading officials of the republic's Ministry of Finance and Gosagroprom to comment on this innovation.

Mirian MURDZHIKNELI, Georgian SSR deputy minister of finance, stated the following: "Without any doubt, the initiative shown by the Lanchukhti Rayon in conducting the experiment of issuing securities—shares—in its tea combine deserves all kinds of approval. As far as we know, this form has been introduced there in order to attract funds for the purpose of building a shop to produce tea concentrate. This matter is needed and useful for the enterprise, the state, and for

the consumers of this product. With regard to the purely financial aspect of the matter, there are still, in my opinion, certain questions that require coordination.

In the USSR Council of Ministers they are now examining a draft decision on this matter. It has precisely defined the procedure and the conditions for issuing shares, the organizations which are granted the right to permit their issuance, the payment of an annual income on them, and other questions connected with this matter."

Lyudvig GURTSKAYA, first deputy chairman of the Georgian SSR Gosagroprom, stated the following: "As you know, every innovation has its advocates as well as its opponents. However, this rule did not seem to apply in the case of the issuance of shares in the Lanchkhutki Experimental-Production Tea Combine. This innovation immediately won approval among the population

"Georgia's Agro-industrial Committee will continue to support similar initiatives. In my opinion, other enterprises under our system will begin to issue shares in the near future."

#### **Majority of Readers Surveyed Support Price Reform, Differ on Implementation**

*18200033a Moscow SOVETSKAYA ROSSIYA in Russian 7 Sep 88 p 2*

[Article by V. Kostyukovskiy, V. Shilov: "Subsidies and Compensation"]

[Text]

#### **Price formation in the looking glass of reader opinions.**

More than 900 of our readers participated in a discussion of price formation problems in connection with the impending reform in prices. Several statements and reviews reflecting some of the more typical comments and proposals were prepared and sent to the directive organs. The accumulated material is making it possible to systematize and summarize the opinions and evaluations contained in the letters sent in by readers.

First of all, an analysis of reader mail reveals that a majority of the authors recognize the need for and urgent nature of the reform in price formation.

"My opinion is a simple one: a need exists for regulating prices" writes N. Korovin from Orel, "A lack of balance in prices produces economic confusion. If you wish, it can be said that they encourage a spontaneous and veiled exploitation of some social groups by others. Thus the rural population has existed for a long period of time in an economically disadvantageous situation. If entire branches of industry turn out to be unprofitable, then harm is inflicted upon the very mechanism for a resolute and monopolistic assignment of prices when economic factors are ignored. All of us profit from price regulation.

Indeed, with normally sound prices even wages become more complete and fair." "In the present situation, we cannot proceed in the absence of price reform. In its absence, self-financing is impossible and an anti-expediture mechanism cannot be created" stated V. Vakurin, a Chelyabinsk engineer.

In any case, the position taken by V. Vakurin and N. Korovin is shared by many other readers. But, while agreeing with the fact that the reform in price formation is inevitable, the authors of the letters display a broad spectrum of disagreement concerning the trends and forms for this large-scale economic action. In recent months, in the press, including in SOVETSKAYA ROSSIYA, the leaders of the USSR State Committee on Prices, scientist-economists and even some readers have expressed the opinion that, during the course of the reform in price formation and for the purpose of eliminating disproportions and misalignments and achieving a balance in price formation expenditures, the prices for food goods and some deficit materials and types of services should ideally be raised. An especially sharp discussion arose precisely over this proposal.

A considerable number—dozens of readers, especially labor veterans, were categorically oriented against raising prices.

"This intention" in the opinion of lathe operator M. Kadkin of Kaluga Oblast, "undermines faith in the fact that life is finally changing for the better."

Very emotional statements opposing increases in the cost of products were made by G. Nikitin of Novocherkassk, R. Sarimov of Bugulma and many others. Their position was based upon a fear that an increase in prices would lead to a sharp reduction in the standard of living for minimal and medium salary workers and pensioners. Living experience reveals that an increase in prices is in fact an increase in the cost of living with family budgets experiencing greater difficulties in trying to make ends meet. Many shudder over the fact that the prices for products and goods, in the words of reader A. Maksimova of the Moscow suburb of Lyubertsy, are such that we tend to "view them as though we are in a museum." The reform in prices is presented to the people as a conversion of state trade over to cooperative prices. They are specific and visible and promises to raise prices without lowering the true standard of living or to assist the family budget by means of additional payments for a high cost of living—all of this is accepted with a great amount of distrust. First of all, because growth in prices is quite apparent to all today, whereas compensation is not recalled as happening in the past or foreseen for the immediate future. Once again, "compensation is promised for products and yet the goods are becoming more expensive not by days but in fact by the hour." All worldly experience has weaned people away from believing in promises—indeed, during a stagnant period they are dispensed by a generous hand. Secondly, the distrust

and caution displayed by people is aggravated to a large degree by the vague statements found in the press and made by the leaders of the USSR State Committee on Prices.

Our readers are disturbed in particular by those officials who persistently attempt to negate the trend towards growth in prices. It is said that during the post war years the prices increased repeatedly and later they stabilized. During a stagnant period, everything stood still, including the retail prices. "Completely official data" is cited as the chief proof of this: over the past 15 years, the price handbook index (nominal) for goods, excluding alcoholic products, increased by only 4 percent. Hence the conclusion: against the background of visible growth in the population's monetary income, the retail prices remained practically stable. The version of the State Committee on Prices is defeated following a collision with the daily realities—the prices increase directly before one's eyes. This brings about massive distrust in the words and actions of representatives of the price forming department and through them it inflicts harm upon the authority of directive promises.

In reality, "price stability" existed only on paper. In real life, the problem is different. In order to balance the volumes of commodity goods and monetary income, the price handbook prices for so-called non-basic goods and rates for paid services are periodically raised. Moreover, the concealed and unannounced growth in prices has increased in force. The dynamics of a high cost of living have been accelerated. Thus, compared to the 9th Five-Year Plan when approximately one third of the increase in commodity turnover was realized as a result of a direct and concealed increase in retail prices, during the 11th Five-Year Plan this figure was increased by almost twofold. Over a period of three five-year plans—by an average of 35 percent.

When the production volumes grow not by means of an increase in the natural commodity output, but rather by an increase in prices through various means, the disproportion between supply and demand increases to a greater degree and more signs of inflation are visible. Tens of millions of people experience this based upon their own daily standard of living, whereas the leaders of Goskomtsen [State Committee on Prices] persistently emphasize price stability, placing themselves in a false position and summoning forth new waves of angry letters—today the people respond in a very sharp manner to all half-truths and attempts on the basis of distorted statistics to conceal scandalous everyday facts.

The majority of readers reproach the leaders of Goskomtsen for their unilateral approach in carrying out the reform in price formation, the essence of which is a review of prices aimed invariably at raising them—it is maintained that this is needed in the interest of developing cost accounting. In protesting against such a position, the authors of letters propose a search for

alternative variants. The reasoning of Gorkiy resident Leonid Aleksandrovich Mylnikov is rather curious in this regard. In particular, he writes:

"Based upon articles, an interview and press statements made by workers attached to USSR Goskomtsen, the plan being prepared by this committee for reforming prices both for industrial goods and also for products is based upon a fixation of their production costs, which developed in all branches of the national economy during a period of stagnation. This means that the new prices will invariably be higher, since they will absorb all of the past economic degradation: technical and technological backwardness, poor organization of production, low labor discipline, scandalous extravagance and mismanagement. Let us take, for example, the production of agricultural products. I have read in GORKOVSKAYA PRAVDA that 8,600 cattle, 16,000 hogs and 2,700 sheep perished on farms throughout the oblast during the first quarter of 1988 alone. I do not believe that Gorkiy Oblast is the worst oblast in the country based upon these sad indicators. If not more, we are losing at least as much meat during the transporting of the livestock to the meat combines. And what huge losses of vegetables and potatoes! The products rot and yet the expenditures for them remain and are included in the overall production costs. Perhaps if order is restored in this area, the profitability will increase immediately and there will be no need to raise the prices.

According to my observations, such a situation exists in industrial production. Thus a direct increase in the prices for products and goods legalizes all of the accumulated shortcomings. Kolkhozes and enterprises will obtain cost accounting profit not for good work, but rather by means of high prices, from the consumers' pockets. An increase in prices is the extensive method of price formation. The progressive method—this is an increase in the efficiency of industrial and agricultural production and the overcoming of mismanagement and extravagance."

Such is the concept of L.A. Mylnikov. His logic is sound and his views are shared by many other authors, all of whom cite new reserves for lowering output costs. Workers at a plant in the city of Bologoye in Kalinin Oblast, Denisova, Koshevaya, Sidorova, Tarudko and Shevtsova, favor a reduction in expenditures by an administrative staff. They write:

"Each farm has a leader and he has deputies. In addition, there are specialists. Above them there is a rayagroprom [rayon agro-industrial committee] and an oblagroprom [oblast agro-industrial committee]. Moreover, each oblast has its own agricultural institute and sometimes more than one. For every 50 cows there is one milkmaid who quickly learns what to feed and how to milk the cows. And all of this must be repaid by means of 7-liter milk yields. Each liter is valued highly.

Certainly, it is difficult not to agree with Leningrad resident V. Badyl, Penza resident V. Polishchuk and Gorkiy resident N. Milov, who assume that of 66 billion rubles allocated from the state budget for subsidizing agricultural production, a considerable portion is lost in payments for mismanagement and for covering unproductive expenditures. A tremendous amount of subsidies destroys imagination. The absurd nature of a subsidization policy is aggravated by the fact that these multi-million expenditures do not increase the stocks of food goods nor do they stimulate efficient management. Certainly, a purchasing price is a considerably more efficient stimulus for increasing agricultural output and processing than is an abstract subsidy for a peasant. But the question is what the purchasing price should be if it is to encourage management and release us from mismanagement.

Another basic question which disturbs our readers: during the course of the price formation reform, how does Goskomtsen intend to "turn a subsidy into compensation?" It would appear that the plan is a clear one: the needed increase in prices for planned-unprofitable products and goods would reimburse us, the customers, in the form of "live" money. But how this will actually take place in real life—this is what disturbs people. At the present time, we are reading many publications dealing with this subject, we are becoming acquainted with an entire spectrum of opinions by economists and we become lost in conjecture: who can we believe? There are those who propose compensation for a reduction in prices for non-food goods for which there is a high demand. In reply—distrust based upon past experience, when cheaper goods were removed from the counters and replaced by new, expensive and not always better products. Such examples were cited by A. Matushkin (settlement of Fakel in the Udmurt ASSR), L. Gromova (Semipalatinsk), I. Strukov (Kursk) and V. Ivanov (Moscow).

On other occasions, the economists promise direct advantages for low and average salary families. But for some reason they persistently object to doing the same for people with small income. Is this the result of their stupidity? Or is it that the approaches themselves are not sufficiently convincing? V.I. Lenin stated that in politics words are not believed and proper action is taken on that which is not believed. The program will continue to remain a program until such time as it is given specific content and the questions and fears will remain. For example, there is the letter from Gelendzhik, from engineer V. Stepin of the Yuzhmorgeologiya Association:

"By means of what funds will compensation be provided under the conditions of cost accounting? If it is to be from the cost accounting income of an enterprise, then once again we have a closed circle: the production costs will increase and hence growth in the prices for industrial products will be inevitable."

V. Kolodkin (Gorkiy), I. Lysov (Kemerovo) and A. Pigorev (Gorlovka, Donetsk Oblast) and others see elements of wage levelling in the proposed system.

"The earnings of low salary individuals and also small pensions will increase first of all" reasons V. Goncharov in Chelyabinsk Oblast, "will not high salaried individuals and persons receiving higher pensions lose? But in such a case, the principal law of socialism is violated: to each according to his labor. Those individuals will lose who work well or who worked well earlier."

In their letters, many have mentioned the "creeping" nature, as they refer to it, of the increase in prices. It is recalled how the salaries and rated for some categories of workers remained at the level established long ago, with the complicated nature of the work or the experience or skills possessed by a worker not always being taken into account. According to the authors of the letters, this is why it is important, prior to the reform in prices, to once again analyze observance of the principle of social fairness in the payment of wages and the validity or groundlessness of our income. Guided only by the "number of mouths to feed" and the amount of present income, the approach is believed to be a simple one. It was by no means an accident when plasterer-painter N. Kulminova (her family is not included in the low income category) from Pavlograd in Dnepropetrovsk Oblast stated:

"After such wage levelling is carried out, I will hardly risk my health on a building project or my husband his health in a mine."

There are many such families and they also can and must be understood.

As one alternative variant, a number of readers, particularly N. Tikhonov of Novosibirsk, are proposing improvements in the subsidization policies. First of all, they should be made provisional and their amounts lowered. In the opinion of these readers, this will stimulate a decrease in expenditures and a reduction in production costs. And this will continue right up until complete abolishment, at which time the average economic indicators for agriculture will reach the level of leading farms, kolkhozes and sovkhozes. Is this method realistic? Judging by the well known examples of leased collectives, cost accounting brigades and family contractual teams, as cited in the press, it would appear to be realistic. Secondly, the subsidies in such a case must cover all stages concerned with obtaining output, right up to the final products.

As is known, there are two paths leading to production profitability: a reduction in production costs and an increase in prices for the products produced. The second path is the simplest and shortest and earlier it did not encounter serious resistance on the part of society. In addition to simply not employing it, we often even

abused it. This is why many fears have been expressed in the mail concerning the fact that the process of raising prices cannot be limited to a single action but rather continues without end.

"Under cost accounting, any enterprise" writes V. Morozov of Barnaul, "is interested in obtaining a maximum amount of profit. Thus, for each regular increase in prices, clever production workers will always find "convincing" justifications. One such chief justification is the fact that increases take place in the expenditures for raw materials, other materials and component parts. And this is truly so: growth in the price for one type of product brings forth a whole series of price increases for other items. Thus, is not this process also endless? The departments only close their eyes to the price increases, since they realize their own "profit" from growth in the gross indicators. Thus a need exists for thorough state control over the prices."

But in the face of our astronomically broad product nomenclature, is Goskomtsen capable of coping with this task? And what type of staff is required for this? Having posed such questions, Moscow resident V. Tulov proposes that control be entrusted to society. For example, in the form of permanent price committees of local soviets of people's deputies.

With regard to economic management and reductions in production costs, as noted by many readers and workers attached to Goskomtsen, for some reason or other this particular subject is mentioned only rarely and unwillingly in their publications. However, we are in no haste to suspect such price reformers as Tambov resident K. Melnikov of harboring an ill-intentioned desire to raise prices by any means by hook or by crook. More than anything else, a departmental psychology is involved here: it is said that the offices of Goskomtsen devote thought to the prices, while the offices of Gosagroprom display concern for the methods of rural management. The overall reader's approach to the problems of price formation is distinguished precisely by its completeness and stereoscopic view and it derives from true everyday experience and valuable collective reader's opinion.

On the whole, the mail being received from readers reveals that social opinion is strongly irritated by the impending reform in price formation. Meanwhile, neither the economists nor the representatives of Goskomtsen have succeeded as yet in acquainting the people with

their point of view in an intelligent and convincing manner or in explaining the program for the impending reform. This encourages conjecture, bewilderment and false rumors. It does not promote a clearing of minds or publication of the draft reform in price formation, which has been under discussion and which is being awaited with great impatience. At such a time, the discussion concerning prices and price formation would assume a more objective and constructive character.

The Editorial Board wishes to thank all readers who participated in the discussion on the problems of price formation. It is our hope that the discussion will be continued.

#### **Capital Investment in Energy, Machinery, Construction Reviewed**

18200290 Moscow *VESTNIK STATISTIKI* in Russian  
No 7, Jul 88 (signed to press 12 Jul 88) pp 69-75

[Article: "Capital Construction in the Country"]

[Text] In 1986-1987 the scale and pace of capital construction grew greatly. In accordance with decisions of the 27th CPSU Congress and later plena of the CPSU Central Committee, the branch structure and the reproductive structure of investment improved, a reduction in construction time based on raising capital-investment concentration was planned, and important measures were taken to overcome the residual approach to the directing of funds toward development of the social sphere.

In comparison with the 11th Five-Year Plan, average annual investment during this period rose from 6.0 billion to 13.2 billion rubles, and the share of national income aimed at capital investment increased from 18 to 20 percent.

During the elapsed two years of the current five-year plan, about 2,500 facilities with capacity matching the state plan's list were put into operation. Turned over for operation were capacity for generating 19.3 million kW at turbine electric-power stations and capacity for producing 50.2 million tons of coal, 6.65 million tons of iron ore, 21,400 and 4,200 kilometers, respectively, of the linear portions of trunk gas, oil and product pipelines, 3.5 and 3.4 million tons, respectively, of steel and merchant bar products from ferrous metals, and 293,000 tons of synthetic resins and plastics.

**Fulfillment of Five-Year Plan for Putting Fixed Capital Into Operation and Using Capital Investment Ceilings in 1986-1987\* (in accordance with the planned scope of operations and expenditures, billions of rubles)**

|  | Actual | Percentage of Plan Fulfillment | Average annual rate of growth, percent |        | Sources: Average annual rate of growth in 1981-1985, percent |
|--|--------|--------------------------------|--|--------|--|
|  |        |                                | Planned                                | Actual |  |
| Fixed capital put into operation through all financing sources | 356.1  | 95                             | 8.4                                    | 5.0    | 2.7  |
| —including state capital investment                            | 311.9  | 95                             | 9.1                                    | 5.4    | 2.6  |
| Capital investment through all financing sources               | 378.0  | 99.96                          | 6.2                                    | 6.1    | 3.4  |
| —including state funds   | 333.1  | 99.7                           | 6.8                                    | 6.6    | 3.3  |
| Construction and installing work through all financing sources | 192.3  | 100.9                          | 5.7                                    | 6.3    | 1.7  |
| —including state funds   | 162.0  | 101                            | 5.5                                    | 6.5    | 1.6  |

\*1987 data is preliminary and can be refined in the annual report.

The average growth rates for introducing fixed capital and capital investment into operation in 1986-1987 were 1.9- and 1.8-fold higher than those achieved in the 11th Five-Year Plan, respectively. An important feature of the 12th Five-year Plan is a substantial growth of investment in the machinebuilding complex—the basis for

accelerating scientific and technical progress. Capital investment for developing the fuel-and-power complex has been increased, since the recovery and transporting of fuel and power resources for the national economy is becoming increasingly complicated.

**Amounts and Rates of Growth of State Capital Investment in the Main National-Economic Complexes During the First Two Years of the 12th Five-Year Plan (according to the staffs of the ministries that make up the complex)**

|                            | State capital investment for 1986-1987 (yearly average), millions of rubles | Growth of state capital investment 1986-1987 in percent of 1981-1985 (yearly average) | Share in capital investment for production construction for the economy as a whole, percent |           |
|----------------------------|---|---|---|-----------|
|                            |   |   | 1986-1987   | 1981-1985 |
| Fuel and power complex     | 33.5  | 25  | 26.3  | 24.6      |
| Metallurgical complex      | 6.9   | 11  | 5.4   | 5.7       |
| Machinebuilding complex    | 8.5   | 30  | 6.7   | 6.0       |
| Forestry-chemicals complex | 7.2   | -2  | 5.7   | 6.7       |

Capital construction plays a considerable role in implementation of the Foodstuffs Program. During this period about 30 percent of all capital investment in the national economy was directed to development of the APK [Agroindustrial Complex]. 117 billion rubles of capital investment from all sources of financing, or 104 percent of the allotted ceiling set for this period, were assimilated, and fixed capital costing 114 million rubles was put into operation. In so doing, 86 percent of all capital investment was aimed at developing agriculture and 8 percent at developing the processing branches of the industry. Funds allocated to agriculture are being used completely, while there is a substantial underutilization in the processing branches. In the two years, 1.0 billion rubles of such funds, or 11 percent of the ceiling set, were underutilized.

Capacity for producing whole-milk at 3,100 tons per shift and meat at 1,300 tons per shift, milling enterprises

for high-grade grinding that process 8,100 tons of grain per day, and mixed-feed enterprises that produce 14,300 tons of mixed feed per day were put into operation.

During this period storage was built for one-time storage of about 3.4 million tons of fruits and vegetables, and the plans for introducing them were met. However, the provisioning of sovkhozes and kolkhozes with capital-type storage for vegetables, potatoes and fruit is now inadequate, being 70 percent of the requirement. The task established for the decade 1981-1990 for introducing storage for potatoes, vegetables and fruits into operation was carried out by only 50 percent during the first seven years (1981-1987).

In 1986-1987 definite work was done to narrow the construction-operations front in order to convert to the construction of facilities in accordance with the standard construction periods. The number of production-type construction projects included in the plan was reduced

during these years by 13 percent, and the average full term for production-type construction, which denotes the time taken to realize the designs, was reduced from 9.5 to 8.0 years, or by 16 percent.

At the same time, for the country as a whole in 1987, through state capital investment, 17,600 projects were being erected and various facilities, 317,000 in all, were being constructed at 42,000 enterprises, greatly exceeding the available supply, equipment, labor and financial resources for putting them into operation by the established deadlines. A survey conducted by USSR Goskomstat [State Committee for Statistics] of industrial and agricultural enterprises and facilities that were introduced into operation in 1986 showed that 64 percent of the enterprises were not built within the standard time periods, 41 percent of them taking twice as long or more.

In 1987 the task for introducing into operation facilities with capacity of the state plan's list was carried out 73 percent. The average annual rates of growth for introducing fixed capital in 1986-1987 was much less than called for by the five-year plan. In comparison with the task of the five-year plan's first two years, the shortfall for fixed capital was 17 billion rubles.

Failure to meet deadlines for putting facilities and capacity into operation is caused by a dispersion of capital investment, shortages in supply and equipment, and the practice of planning to turn over facilities in the fourth quarter. In 1986, 56 percent of the facilities of the state plan's list were planned for introduction during the last quarter, and the figure for 1987 is 80 percent.

One of the causes of this situation is the low level of preparedness of the construction backlog of finished work. Thus, for production-type construction projects that were subject to introduction into operation in 1987, the preparedness of the backlog was about 48 percent at the start of the year, while for production-type construction as a whole, it was 17 percent, which is far below the standard level set for the 12th Five-Year Plan—43 percent.

The nonfulfillment of tasks for introducing productive capacity in the industrial branches impedes the rate of retirement of obsolescent and worn fixed capital and does not allow the trend toward an increase in wear to be overcome. According to estimates, the wear factor for industry as a whole at the end of 1987, in comparison with 1985, had increased by two points. In machine-building it stayed at 40 percent, the 1985 level.

With the high share of worn and obsolete fixed capital, the funds spent repairing it are growing. In 1986, in comparison with 1980, expenditures for completed overhaul through the amortization fund rose 1.5-fold for the national economy, being 40.9 billion rubles, or more than one-fifth of the total amount of capital investment financed by all sources.

Reorientation of a portion of the funds now directed to the overhaul and the reequipping and rebuilding of existing enterprises will help to speed up the rehabilitation of production equipment and will also permit the share of capital investment that is formed through amortization deductions for renovation to be increased later, and a saving of national income to be obtained by reducing the funds spent on financing investment. In 1986-1987 the share of investment financed through amortization for the full restoration of fixed capital was only about 40 percent, while it was 70 percent in the U.S. and 64 percent in the FRG.

During the 12th Five-Year Plan emphasis is being placed on reequipping and rebuilding existing production facilities, a step that supports accelerated restoration of productive equipment and a shortening of the periods for recouping capital investment. In 1986-1987, the average annual rise in state capital investment directed toward reequipping and rebuilding existing enterprises exceeded almost 3-fold the rise during the 11th Five-Year Plan. The share of investment for these purposes in the amount of production-type construction increased from 33 percent in 1980 to 43 percent in 1986 (including an increase from 23 to 31 percent, respectively, for reequipping), and in 1987 it was 46 percent.

Change in the share of capital investment for reconstruction and reequipping (not counting expenditures for upkeep of the capacity of existing enterprises) in the volume thereof for production construction for the national economy's main complexes is characterized by the following data, in percent:

|                                | 1980 | 1985 | 1986 | 1987 |
|--------------------------------|------|------|------|------|
| Fuel and power complex         | 16   | 18   | 20   | 20   |
| Metallurgical complex          | 34   | 49   | 53   | 54   |
| Machinebuilding complex        | 41   | 48   | 58   | 65   |
| Forestry and chemicals complex | 27   | 37   | 44   | 44   |

Expansion of the scale of reequipping and rebuilding work is promoted by preferential financing of these costs through resources of the enterprises' funds. While in 1986 the share of capital investment being financed through state-enterprise and state-organization funds was 3.1 percent, in 1987 it was 18 percent. In so doing, the share of capital investment financed through these resources and directed toward reequipping and rebuilding was 80 percent of investment for these purposes with respect to the national economy's main complexes.

During the 12th Five-Year Plan the social orientation of investment policy was greatly amplified. The Main Directions for Economic and Social Development for the Period 1986-1990 and for the Period up to the Year 2000 called for each family to be provided with a separate apartment or individual house, and the material base of the economy and public health, culture and art

and other branches of the nonproduction sphere should also grow qualitatively. Such tasks can be fulfilled only by overcoming the residual principle in allocating capital investment for developing the social and cultural sphere. In 1986-1987 the average annual pace for increase in capital investment in nonproductive-type construction was 9.1 percent, in 1981-1985 it was 4.7 percent. The share of capital investment for facilities for nonproduction purposes during this period was 28.5 percent, which is 1.9 points greater than during the first two years of the 11th Five-Year Plan.

In the elapsed years of the 12th Five-Year Plan the scale of housing construction rose considerably. During the 11th Five-Year Plan an average of 25.5 billion rubles of capital investment per year from all financing sources was used to erect housing, in 1986 the figure was 30.9 billion rubles, and in 1987 it was 32.6 billion rubles. The average annual rate of growth in volume of capital investment for housing construction was 6.4 percent in 1981-1985, 8.5 percent in 1986-1987.

During these two years, 249.1 million m<sup>2</sup> of total housing-apartment space were turned over for operation through all financing sources. Housing introduced per year reached an average of 124.5 million m<sup>2</sup> versus 110.4 million m<sup>2</sup> in 1981-1985, increasing by 13 percent. The country reached this housing-construction volume for the first time. The average annual rate of growth for turning apartment houses over for operation, through all sources of financing, was 6.7 percent for the first two years of the 12th Five-Year Plan, 1.7 percent for the 11th Five-Year Plan.

Positive shifts also occurred in fulfilling plan tasks for introducing housing. In 1986 the annual plan for turning apartment houses over for operation was 100.9 percent through all sources of financing, 102 percent through state capital investment, while in 1987 the figures were 102 and 103 percent, respectively. At the same time, housing construction through the resources of housing-construction cooperation and the populace's resources lagged behind the plan task.

The share of housing built by housing-construction cooperatives was 7 percent in 1986-1987 versus 6 percent in 1981-1985, and the share of housing introduced by the populace even declined, from 15 to 14 percent.

The level of comfort and the amenities of the housing introduced increased. The average size of an apartment in apartment houses built through all financing sources during these years was 57.1 m<sup>2</sup>, while during 1981-1985 it was 55.1 m<sup>2</sup>.

Funds for the construction of social and cultural facilities increased greatly. In 1986, 3.3 billion rubles of state capital investment were used to build facilities for public education, 32 percent more than the annual average for 1981-1985, 2 billion rubles for facilities for public health, physical culture and social support, or 26 percent

more, and 678 million rubles, or 44 percent more, for facilities for culture and art. In 1987, in comparison with 1986, the rate of growth of state capital investment for public education was 20 percent, for public health, physical culture and social support 7 percent, for culture and art 16 percent.

During the past two years of the 12th Five-Year Plan, general-education schools for 1.3 million pupils were turned over annually on the average, or 28 percent more than the annual average introduced during the 11th Five-Year Plan; for vocational and technical schools the figures were, respectively, 110,800 pupils and 19 percent, and for preschooler institutions 654,500 children and 15 percent. Despite the growth in scale of construction of facilities for public education, the plans for putting them into operation through state capital investment were carried out only for the turnover of general-education schools.

The situation on introducing vocational and technical schools into operation continues to be troubling. Established tasks are not being met, although the level of plan fulfillment has risen somewhat. In 1986 the figure was 81 percent through state capital investment, and in 1987 it was 90 percent (during 1981-1985 the figures were 63-86 percent).

During this period the turnover of hospital capacity for operation averaged 74,100 beds, ambulatory-polyclinic institutions 190,700 outpatients per shift, or, respectively, 117 and 134 percent of the annual average for 1981-1985. At the same time, the plans for introducing hospitals into operation were not fulfilled. Despite the importance that is now being given to the construction of children's hospitals and polyclinics, their share in total introduction was only 7-9 percent. The annual task for introducing them through all financing sources failed, and the plans for turning maternity homes over for operation also were not met.

The fulfillment of plan goals for introducing into operation facilities for the social sphere is associated closely with the regularity of construction. The situation that has prevailed for many years has led to failure to fulfill annual plans, while about a third of the housing planned for introduction during the year through state capital investment was turned over for operation in December.

During the 11th Five-Year Plan, 33-39 percent of the housing introduced during the year through state capital investment was turned over for operation in December. In the elapsed period of the 12th Five-Year Plan, regularity in introducing housing into operation increased somewhat. In 1986 and in 1987, respectively, 30 and 29 percent of that introduced during the year was turned over for operation in December, influencing positively the fulfillment of plan tasks. At the same time, further work must be done to create a backlog of accomplished work which will provide for greater regularity in introducing housing throughout the year.

An unfavorable situation persists in introducing into operation facilities for cultural and domestic-amenity purposes. Beginning with 1986, general education schools and vocational and occupational schools should be turned over for operation by 1 July. However, during the preceding two years of the five-year plan, 37-52 percent of the year's task for turnover in the first half of the year was met for school buildings, 20-21 percent of the goal was met for vocational and technical training institutions. At least 40 percent of the year's volume of preschool institutions, hospitals and ambulatory and polyclinic institutions should have been turned over during this same period, but actually 21-24 percent of the year's plans for such facilities were met during January-June in 1986, 17-26 percent in 1987. In 1986, 39-52 percent of the year's introduction of preschooler, hospital and ambulatory-polyclinic institutions had been accomplished in December, in 1987 the figures were 36-56 percent. The crash-work campaign that takes place at facilities due for startup at the end of each quarter, usually at the end of the year, leads, as before, to numerous cases where facilities for the social sphere are accepted for operation with work undone, defects and low-quality work.

During the first two years of the 12th Five-Year Plan, the results of the work of construction organizations improved somewhat. On 1 January 1988 the network of contracting construction and installing organizations numbered more than 33,000 SMU's [construction and installing administrations], SU's [construction administrations], MU's [installing administrations], PMK's [mobile mechanized columns] and others, and 3,500 construction and installing trusts.

On the balance sheets of these organizations were a total of 55 billion rubles' worth of fixed productive capital for construction purposes. Manning by workers engaged in construction and installing work and in subsidiary production work exceeded 8 million people.

In comparison with 1985 the number of primary contracting organizations had fallen by 3 percent, while the number of trusts had increased by 2 percent, and manning by workers engaged in construction and installing work and in subsidiary operations had increased 1.4 percent.

During the first two years of this five-year plan 207 billion rubles' worth of contracting work was done, 1.2-fold that done during the first two years of the 11th Five-Year Plan. The work volume for organizations of the construction complex during this period was 91 billion rubles' worth, or 44 percent of the amount of work done by all construction and installing organizations.

The concentration of construction operations has increased. The average annual rate of growth in contracting-work volume performed by in-house forces averaged 7.1 percent per organization during the first two years of the current plan versus 1.1 percent for the 11th Five-Year Plan.

The goal for labor productivity growth was fulfilled in 1986, for the first time since 1970. In 1987 labor productivity in construction rose by 6.3 percent versus the year's plan for 3.8 percent, in organizations of the construction complex—by 7.9 percent.

In 1986, 71 percent of the increase in construction and installing work volume was obtained through labor productivity, while in 1987 all the growth came from this source. A growth in labor productivity that exceeds increase of the average wage has been provided for. The ratio for growth of wages and labor productivity was 0.82 in 1986, 0.75 in 1987.

A trend toward improvement of the work's financial indicators has begun to show. While in 1985 the profit plan was met by 94 percent by contracting organizations and the total of the profit shortfall was 0.6 billion rubles, and in 1986 fulfillment was 99 percent (a shortfall of 0.1 billion rubles), in 1987 the plan was overfulfilled by 9 percent and savings of 1.3 billion rubles above the plan were obtained. In so doing, while by the end of the 11th Five-Year Plan 33 percent of the organizations had not coped with the profit plan and 23 percent were unprofitable, in 1986, 31 percent of the organizations obtained profit below the plan, 23 percent did so in 1987. The share of unprofitable organizations was reduced from 18 percent in the first year of the 12th Five-Year Plan to 11 percent in 1987, while the totals of the losses were, respectively, 2.5 and 1.2 million rubles.

The industrialization of construction work definitely helped to raise its effectiveness. In the period being analyzed, 9 billion rubles in capital investment were used to build facilities for the in-house construction base, 24 percent more than during the first two years of the 11th Five-Year Plan.

At the same time, restructuring is going on slowly in the branch.

The fulfillment of many capital-construction indicators has not been provided for. One-third of the organizations have not met the goals for the amount of contracting work and growth in labor productivity, and one-fourth have not met the goal for financial tasks.

The lack of smoothness in fulfilling plans for the amount of work and for introducing facilities into operation has not been overcome. The amount of construction work done in the last month of the quarter was 7-31 percent higher than in the first two months. In December 1987 the builders increased the amount of work done by 16 percent over November, but they could not overcome the lag permitted during the first two months of the fourth quarter. Of all the production facilities on the state plan's list that were introduced by the construction complex's ministries and agencies in 1987 (including partial introduction), 64 percent of the hospitals and 43-69 percent of the ambulatory-polyclinic and preschool institutions were introduced in the fourth quarter.

The task for contracting-work volume was not met in 1986, nor in 1987. The plan for contracting work for 1987 for the country as a whole was carried out 99.8 percent, construction-complex organizations carried it out 99.9 percent, and the shortfalls in work done were, respectively, 173 and 25 million rubles' worth. In so doing, the level of plan fulfillment would have been somewhat lower (99.2 percent for the country and 99.3 percent for the construction complex) if there had not been a revision in the form of a massive reduction in the

fourth quarter. Only USSR Minsevzapstroy [Ministry for Construction in the Northern and Western Regions] reduced the annual work volume during the fourth quarter by 90.9 million rubles, or by 2 percent, including 41.6 million rubles on 31 December.

A further buildup in the amounts of contracting operations is being impeded by nonfulfillment of the tasks for developing the materials and equipment base for construction.

Fulfillment of Tasks for Developing the Materials and Equipment Base (in percent)

Minsevzapstroy [Ministry of Construction in the Northern and Western Regions of the USSR]  
Minyugstroy [Ministry of Construction in the Southern Regions of the USSR]  
Mineralsibstroy [Ministry of Construction in the Urals and West Siberia Regions of the USSR]  
Minvostokstroy [Ministry of Construction in the Eastern Regions of the USSR]  
Minmontazhpetsstroy [USSR Ministry of Installation and Special Construction Work]  
Mintransstroy [Ministry of Transport Construction]  
Minstroymaterialov [Ministry of the Construction Materials Industry]

|    | For facilities for production purposes |      |                            |      |
|----|--|------|----------------------------|------|
|    | Introduction of fixed capital<br>1986  | 1987 | Capital investment<br>1986 | 1987 |
| 74 | 93                                     | 89   | 99                         |      |
| 88 | 85                                     | 99.8 | 93                         |      |
| 86 | 78                                     | 94   | 91                         |      |
| 64 | 74                                     | 86   | 92                         |      |
| 94 | 92                                     | 102  | 96                         |      |
| 95 | 85                                     | 99.6 | 91                         |      |
| 78 | 82                                     | 83   | 85                         |      |

The construction ministries continue to experience shortages of some types of materials—finished merchant bar products made of ferrous metals, lumber, and so on.

In 1987, as in 1986, the plan for producing various progressive and economical materials that allow labor intensiveness and construction costs to be reduced was not carried out.

As before, productive capital included much obsolete construction machinery and equipment. Of the basic production equipment used for construction purposes on 1 January 1987, 43.3 percent of it was worn. The data on the age of basic construction equipment testifies that the fleet is aging. In 1986 the age characteristics for the greater part of the basic construction machinery had worsened over 1985: the share of machinery of the oldest age group and the averages of machinery ages had increased.

Because of deficiencies in the organization of construction operations and the considerable presence of obsolete equipment, construction machines were used basically for 1-1.5 shifts.

At the same time, the structure of construction machinery delivered is not improving. The technical level and quality of many machines produced by USSR Minstroydormash [Ministry of Construction, Road and Municipal Machine Building] is low. In 1986 the share of output

of the highest quality category was 48 percent for excavators versus the planned 71 percent, and the figures for tower cranes and loaders were, respectively, 33 and 41 percent, and 31 and 42 percent.

The builders are experiencing shortages in many types of mechanized tools and construction-finishing machines that enable manual labor to be curtailed. The requirement for mechanized tools is only half met. As a result, the share of work performed manually is not being reduced. In 1987, 24.1 percent of the plastering work and 21.9 percent of the painting were done manually.

Ministries and agencies of the construction complex have done work to improve the management system. As of 1 January 1988, 8,700 construction and installing organizations, or 85 percent of the total number, were working under the collective contract.

In accordance with the decisions of the June 1987 CPSU Central Committee Plenum, it is proposed to begin this year to implement a set of measures for intensifying construction work and converting construction organizations to full economic accountability and self-financing. At present six All-Union construction ministries, the construction ministries of the Ukrainian, Belorussian, Kazakh, Latvian and Lithuanian SSR's, and

Gosstroy of the Estonian SSR, as well Glavmospromstroy [Main Administration for Industrial Construction in Moscow], Glavmosinzhstroy [Main Administration for the Construction of Utilities and Services Facilities in Moscow], Glavleningradstroy [Main Administration for Housing, Other Nonindustrial, and Industrial Construction in Leningrad], and Glavbakstroy [Main Administration for Construction in Baku], are now operating under full economic accountability and self-financing.

In 1987, 133 industrial-design and construction associations were created, 54 of them (41 percent) in the construction complex. They were established to erect housing and facilities for social purposes, turnkey style.

The new conditions for management have opened up broad possibilities for qualitative improvement of capital construction, providing for further democratization in control of the investment process. Under these circumstances, a rise in the role of economic analysis, the discovery—on that basis—of reserves for increasing labor productivity and yield on capital, a reduction in the prime production costs of construction and installing operations, and a rise in the motivation of builders' collectives to introduce capacity and facilities on time, are essential.

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**New Banks, Financial Institutions Registered with USSR Gosbank**

18200068 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 43, Oct 88 p 3

[Unattributed item: "USSR State Bank Reports"]

[Text] The USSR State Bank's charter stipulates that Gosbank USSR is to register the charters of commercial, joint stock and cooperative banks and of other financial institutions. Registration of a charter with Gosbank USSR indicates permission to open a bank.

As of 20 October 1988 12 banks have been registered:

- Chimkent Cooperative Bank "Soyuz"
- Leningrad Cooperative Bank "Patent"
- Moscow Cooperative Bank "Moskoopbank"
- Cooperative Bank of the Alma-Ata Oblast Union of Cooperatives "Tsentr-bank"
- Moscow Cooperative Bank "Kredit-Moskva"
- Cooperative "Poliservisbank" in Kazan
- Tartu Commercial Bank
- Commercial "Innovatsionnyy bank" in Riga
- Cooperative Bank "Zarya" in Perm
- Cooperative Bank "Gayk" in Yerevan
- Interregional Cooperative Bank "Kontinent" in Naberezhnye Chelny
- Baku Cooperative Bank "Bakkoopbank"

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Poor Enterprise Performance Under New Conditions Analyzed

18200028a Moscow *PLANOVYE KHOZYAYSTVO* in  
Russian No 9, Sep 88 (signed to press 24 Aug 88)  
pp 29-39

[Article by Yu. Kalmykov, department chief, USSR Gosplan, candidate of economic sciences, and O. Yun, deputy department chief, USSR Gosplan, doctor of economic sciences: "Certain Conclusions From an Analysis of the Work Performed by Associations and Enterprises"]

[Text] The implementation of the measures to restructure the economic mechanism which were planned at the 27th CPSU Congress and the subsequent Plenums of the CPSU Central Committee, as was noted at the 19th All-Union Party Conference, require the systematic and complete analysis and evaluation of the results of the work that has been done at each of its stages. In 1987, for the first time in economic practice, more than 2500 industrial enterprises and associations (USSR Minkhim-mash [Ministry of Chemical and Petroleum Machine Building], USSR Minavtoprom [Ministry of the Automotive Industry], USSR Minpribor [Ministry of Instrument Making, Automation Equipment, and Control Systems], USSR Minneftetekhimprom [Ministry of the Petroleum Refining and Petrochemical Industry], USSR Minlegprom [Ministry of Light Industry] completely, and 15 other industrial ministries, partially) began operating on principles of complete cost accountability and

self-financing. Enterprises of the maritime fleet and state trade (other than the USSR Gosagroprom [State Agroindustry] system) also changed over to the new management conditions in 1987.

An analysis of the first results indicates that the work on the principles of complete cost accountability and self-financing creates effective incentives for increasing the effectiveness of management and guarantees a closer coordination of the enterprises' economic interests with the final results of their activity. This manifested itself primarily in the improvement of the work for the customer, and in the reinforcement and development of the ties among the enterprises. For example, the fulfillment of the plan for sale of output with a consideration of the delivery pledges (the main evaluation indicator) for the enterprises operating under conditions of complete cost accountability in 1987 were higher (98.7 percent) than for other enterprises (98.2 percent). That positive tendency was also preserved in the first half of 1988.

In the USSR Goskomstat [State Committee for Statistics] report concerning the economic and social development of the USSR in the first half of 1988, it is noted that the changeover of a considerable number of enterprises in industry and other branches of the national economy to complete cost accountability and self-financing has begun to have a positive effect on the final results and the qualitative indicators. For example, the level of fulfillment of the contractual obligations has risen, as compared with the corresponding period last year, by 1.1 points, which is higher than for the enterprises that have not changed over to the new management conditions. They have noticeably higher dynamics in the increase in labor productivity, profit, and the assimilation of the volumes of capital investments, as can be seen from the data given in the table.

| Indicator                                      | (in percentages)  |   |
|--|---|---|
|  | Enterprises<br>operating under conditions of complete cost<br>accountability and self-financing | not changing over<br>to the new management conditions |
| Rates of increase of labor productivity        | 106.4   | 104.2   |
| Fulfillment of profit plan (January-May)       | 108.2   | 105.2   |
| Rate of profit growth (January-May)            | 112.8   | 110.2   |
| Use of capital-investments limit               | 105   | 95  |
| Including:                                     |   |   |
| centralized                                    | 103   | 93  |
| at the expense of the economic-incentive funds | 107   | 104   |

The experience of management under the new economic conditions is not yet very large, and, of course, it does not allow making any final conclusions. However, the analysis of that experience is of indisputable interest and will undoubtedly be beneficial for the enterprises that will be changing over to complete cost accountability in the future.

The 1987 results attest first of all to the fact that the influence of the new economic mechanism had a noticeable effect on such an important sector of economic work

as the effectiveness of the use of live labor. As a whole, last year the enterprises that changed over to complete cost accountability had higher rates of increase of labor productivity than the remaining ones (104.6 percent, as compared with 103.8 percent). Moreover, the entire increase of production at those enterprises was obtained by increasing the labor productivity, while the absolute reduction of the number of personnel proceeded more actively. There was a substantial increase in the interest of the labor collectives toward the earning of profit, which is an important generalizing indicator of the final

results and the pivot of the self-financing mechanism. The rates of its increase for those enterprises in 1987 were almost twice as high as for the remaining industrial enterprises (respectively, 9.5 percent and 4.8 percent). The increase in profit was obtained by them chiefly by reducing the production costs and the markups on wholesale prices for articles having increased consumer properties. The collectives operating under the new conditions began to take a more economical approach to the expenditure of their own funds. For many enterprises one observes a more restrained approach to the purchasing of new equipment and more care in using it, and there have been instances when the enterprises refused to purchase equipment and components.

There have been noticeable shifts in raising the technical level of machine-building output. For example, the 1987 plans for the renovation of output were fulfilled at USSR Minkhimmash, USSR Minpribor, and USSR Minavtoprom. The percentage of the output that was assimilated for the first time increased at those ministries from 5.3 percent in 1986 to 8.0 percent in 1987. There was an increase in the activity rate in the work performed by the enterprises to carry out the technical renovation of production. Last year the five industrial ministries that changed over to the new management conditions assimilated 21 percent more capital investments for technical re-equipment and the remodeling of existing enterprises than they did in 1986.

The enterprises' own funds began to be involved more broadly in the resolution of social problems: in 1987, 70 percent of the activated apartment buildings were built with money from the social-development funds.

Random surveys and a questionnaire indicate that the enterprises have had an increase in the interest toward economic work, the accounting of the earned ruble has begun, and, during the process of development and decision-making, greater consideration has been taken of the final results and the effectiveness of production.

It is important to emphasize that the economy at the enterprises that are operating on the new principles has proven to be more stable against the unfavorable effect of external factors. As compared with the enterprises that did not change over to complete cost accountability, they guaranteed in 1987 the more accelerated buildup of the production of output, labor productivity, and the other economic indicators in the individual quarters of the year after a certain slump at the beginning of the year.

Nevertheless, on the whole the enterprises that are operating under the new system, like industry as a whole, worked worse in 1987 than they did in 1986. For all ministries whose enterprises changed over to complete cost accountability and self-financing, there was a drop in the level of fulfillment of contract pledges, the rates of increase of production, and labor productivity (although to a lesser extent than for the other ministries). Despite

the comparatively high level of assimilation of capital investments, the plans for the activation of fixed assets for this group of ministries were fulfilled only by USSR Minavtoprom. There has been a lack of noticeable shifts in reducing the materials-intensity and resource-saving and in improving the quality of output, as a consequence of which one continues to observe a lack of balance between the production plans and the material-technical resources and the return of a considerable number of articles for additional work in accordance with the requirements of state acceptance.

The financial condition of the enterprises operating under conditions of cost accountability remained complicated throughout 1987. USSR Minavtoprom was the only ministry to fulfill the profit plan (and that was after receiving considerable amount of incentive markups). The share of enterprises that failed to fulfill the profit plan was 48 percent in USSR Minkhimmash, 25 percent in USSR Minneftekhimprom, 31 percent in USSR Minlegprom, and 26 percent in Minpribor. As a result, many of the enterprises in those branches, practically speaking, were deprived of their own sources for the construction of housing, and there was a sharp reduction in their opportunities for the economic maintenance of social projects.

This situation attests to the fact that, despite the positive tendencies in individual areas of the economic activity of the enterprises, on the whole the new management system has not opened up completely and its first results have proven to be less than expected. There are several reasons for this, but it is necessary to put in first place the low level of organization of the economic work at the enterprises and ministries, the obvious underuse of the opportunities that are provided by the new economic mechanism, and the inadmissibly slow assimilation of progressive forms of cost-accountability relations in the labor collectives, including the collective contract and the lease contract.

The preparatory work of converting the enterprises to the principles of complete cost accountability and self-financing was not carried out properly. The planned assignments in many instances were made known to the enterprises too late to organize the effective preparation of production. As was shown by a survey, only every fourth enterprise received prior to 1 December 1986 from the ministry the planned assignments for producing output for 1987. By the beginning of 1987 these assignments had been made known to less than 80 percent of the enterprises surveyed. Also, various plan indicators were made known by functional subdivisions of the ministries at various times. Contracts dealing with the issued production orders were concluded by 1 January 1987 only by every third enterprise, and 23 percent of the surveyed enterprises did not complete this work by 1 April. That led to an imbalance in the planned proportions at the level of the specific products and needs. The economic quotas were also made known tardily to the enterprises. At a number of enterprises they were not

received until the end of the first quarter of 1987, and therefore they could not be realistically included in the work on principles of self-financing until the second quarter. Nor was the stability of the planned indicators and the economic quotas guaranteed. At 72 surveyed enterprises subordinate to the five ministries, the planned indicators were adjusted in more than half of them, and at 12 enterprises a particular indicator was adjusted several times.

The results of the work performed by the enterprises under conditions of complete cost accountability and self-financing were indisputably influenced by the unfavorable financial situation of many of them. The overdue indebtedness on short-term bank loans and reciprocal settlements among economic agencies as of the beginning of 1987 for the industrial ministries that had changed over to the new management methods constituted approximately 1.5 billion rubles. A considerable number of the enterprises did not have specific programs for improving and stabilizing their finances, or for mobilizing the reserves to reinforce their economy, including the changeover to the multishift mode of operation and the elimination of various kinds of unproductive expenses and losses.

At many enterprises and associations, the work of introducing intraproduction cost accountability was not organized properly. At most of them the structural units were practically devoid of the opportunity independently to plan and use the monetary accumulations that had been earned by the collective's labor, to carry out the technical renovation of production on their own initiative, to administer the working capital effectively, to bear the complete material responsibility for omissions in economic work, or to have the appropriate interrelations with the finance and credit system. All these important sectors of cost-accountability activity were completely concentrated at the lead plants in the associations, which, for various reasons, have been doing little to aid the subordinate enterprises in improving their economic work.

Serious shortcomings also exist in the area of the restructuring of the cost accountability in the subdivisions of the enterprises: the production entities, shops, sectors, worker brigades, and functional services, including the engineering one. The statutes governing internal cost accountability have not been reconsidered for a long time, whereas the organizational structure of the enterprise and its specialization have undergone substantial changes. The necessary adjustments to the cost accountability have also not been made when the enterprise has been confronted by new complicated tasks and problems, the delay in resolving which leads to a reduction in the effectiveness of the work. There is yet another extreme, when the economic services frequently attempt to transfer to the subdivisions the planning indicators, the criteria for evaluating the activity, the system of incentive measures, and other elements of the economic mechanism that operate at the enterprise level.

It would seem that radical changes in organizing intraproduction cost accountability at the associations and enterprises can be achieved only by changing them over to the second model of cost accountability, which is based on the quota distribution of income. This is attested to by the experience of the associations in USSR Mingeo [Ministry of Geology], which already employ this model. During 1987 they increased their income by 19.9 percent as compared with 1986, increased the return on allocations by 14 percent, achieved an acceleration in the turnover rate of their own working capital by 23 percent, and reduced the unproductive expenses and losses by more than one-third. Also, the increase in labor productivity almost doubled the increase in the average wages.

However, the enterprises and ministries have been taking an extremely restrained approach to changing over to this model, since it requires both well-developed self-government and the informing of every worker concerning the cost-accountability conditions, and also the precise organization of the material-technical supply, the financial computations, the introduction of proper order in capital construction, and the resolution of other important questions that frequently do not depend upon the activity of the enterprises. In order to encourage the changeover to the second form of cost accountability, it would be desirable, in our opinion, to guarantee a minimum wage that assures its payment in those instances when the failure to receive sufficient income was the result of external causes. The sources for the money for this purpose could be risk funds specially formed at the enterprises, or a reserve for paying for labor.

At many enterprises an insufficiently responsible approach was taken to changing over to the new salary and wage rates and to the introduction of a new system of paying bonuses to the workers, and insufficient use was made of that measure to overcome a policy of equalization in paying for labor both between the specialists and the ordinary workers, and also among the specialists. When this work was carried out, no fundamental improvement in establishing labor quotas occurred. Whereas the wage rates rose by 20-25 percent, the quotas frequently rose by 1.5-10 percent. There have been a rather large number of instances when the new rates were established by making structural changes in the wages (abolishing additional payments and markups, reducing the size of bonuses, the massive reduction of the workers' categories), rather than by increasing the labor productivity and reducing the number of personnel.

The new statutes governing the payment of bonuses that were developed at the enterprises, for the most part, are not aimed at a considerable improvement of the most important indicators of activity: the deliveries of output on the basis of contracts, the rise in labor productivity; the reduction of the material and labor expenditures. For

example, at 70 percent of the enterprises surveyed, no changes whatsoever had been made into the organization of the bonus payments for the workers.

The enterprise workers were poorly prepared for the introduction of complete cost accountability. Nevertheless the economic training was frequently carried out formally, hurriedly, with poor methodological support. The sociological survey carried out by workers of USSR Goskomtrud [State Committee for Labor and Social Problems] established that two-fifths of those surveyed have no idea of what it is specifically that differentiates complete cost accountability from the conditions that were in effect during the previous period (among managers, such persons constituted 11 percent; among engineer-technical workers in the plant administrations, 31 percent; and workers, more than 50 percent). Most of the workers, foremen, and shop chiefs do not know which funds are formed from profit, the purposes for which they can be expended, or how they are used at the present time.

An unfavorable effect was exerted on the enterprises' work by the prolonged reorganization of the economic structure of administration: the changeover to a two-shift scheme with the creation of large-scale production associations. For example, at USSR Minkhimmash individual enterprises repeatedly changed over from one association to another, and the makeup of the Uralkhim-mash PO [production association] changed five times.

A negative influence on the work of the associations and enterprises was exerted by the inconsistency in implementing the measures to improve the economic mechanism and by the fact that its most important elements had not been worked out. It must be noted that the content and technological scheme for planning have not yet undergone any major changes. The changeover to the new system occurred under conditions of a five-year plan that had been developed on the prior principles. As a result, the stage of yearly planning fell out of the new economic mechanism; the plan remained an external factor for the enterprise, and when it was being formed, as previously, no consideration was made of the effectiveness reserves.

One of the important measures planned with the purpose of improving planning—the reduction of the centrally planned indicators—was carried out formally in a number of instances. In the practical situation, there frequently was a reverse process: the ministries and departments arbitrarily changed the computed indicators into the category of directive ones. Thus, the survey showed that the enterprises were informed by a directive procedure of the coefficient for shift operation of the equipment, the percentage of manual labor, etc.

Rigid monitoring continues to be carried out for the fulfillment of the indicator of the volume of commercial output (and its growth rates), although it has been excluded from those that are to be approved, since the

acceleration of the development of the branch and the territory continues to be measured according to the growth rates of the volumes of production.

In our opinion, the principles and criteria for constructing a system of indicators for the ministries, departments, and the agencies of territorial administration must be organically coordinated with the procedure for evaluating the activity of the basic cost-accountable link in the national economy, which has been established by the USSR Law Governing the State Enterprise (Association). This will make it possible to remove the pressure exerted by the local agencies of administration, the ministries, and the departments upon the enterprise and association managers with the purpose of assuring that they fulfill the assignments dealing with the growth rates of commercial output. The lessening of the role played by commercial output in the economy of the associations and the enterprises would also be served by the broad changeover to the formation of a wage fund in the processing branches of industry on the basis of quotas applied to the net output and income, and in the branches of the fuel and energy complex, as applicable to in-kind indicators.

The effectiveness of the new management mechanism has been influenced by shortcomings in the formation of the economic quotas, which were developed on the basis of the assignments in the already approved five-year plan and the proportions for the distribution of profit in the base year. With this approach the quotas for deductions to be taken from profit and for distribution of its remaining part to the various funds proved to be individual, and this distorted their purpose as an instrument for encouraging an increase in the effectiveness of production. The differences in the quotas were also aggravated by the existing price system and the spotty nature of the profitability of production. In addition, for many enterprises, as a result of the uneven distribution of capital investments in the five-year plan, they had been established variously for the individual years as well. The deductions to be paid into the ministry's centralized fund proved to be extremely uneven, and the basic weight of those deductions fell upon a small number of enterprises that were operating in a stable manner. Those shortcomings were not inevitable; the opportunity existed for the efficient structuring of the quotas. For example, at USSR Minkhimmash the payment into the budget from profit was made by the enterprises according to a single scale depending upon profitability. A single quota for deductions from profit to be paid to the ministry was also established for the enterprises.

A negative influence upon the new management system has been exerted by the existing mechanism of formation of the labor payment fund. Experience has shown that the use of the increase quotas for wages has a contradictory effect upon the enterprises' economy: it encourages the reduction in the number of workers, but does not provide a self-interest in increasing the volumes of production. This is influenced by the fact that the

amount of money expended to guarantee the wages for the increases in production is more than is earned. With this situation, it is more profitable for the enterprises to guarantee an increase in the average wages not by increasing the production of output, but by reducing the number of workers. As a result, the production capacities are used ineffectively, the return on allocations drops, and the national economy fails to receive output valued at many millions of rubles. In addition, the mechanism that is employed during the first model of cost accountability for forming the wage fund separates the formation of its decisive part from such an important economic indicator of the enterprises' work as the fulfillment of its contract pledges. There have been considerably more than a few instances when the average wages increase while the level of contract fulfillment drops.

In order to increase the role played by the wage payment fund in encouraging an increase in the production of the output that is needed by the national economy, it would be desirable to make broader use, instead of the increase quotas, of the shared (level) quotas for formation of the wage fund. At such time the computation of the wage fund must, in our opinion, be coordinated with the level of fulfillment by the enterprise of its delivery pledges.

**One of the not unimportant reasons for the poor response by the mechanism of the self-financing of enterprises is the uncomprehensive functioning of the new management system, the combining of elements of the new and the old mechanism, and, as a result, the uncoordinated action of the links in the administrative system.** For example, the changeover to complete cost accountability and self-financing, and the substantial expansion of the enterprises' rights in using the earned funds, were not accompanied by a corresponding change in their material-technical support (the experiment in wholesale trade was carried out in branches that were operating according to the old system). As a result, the enterprises encountered difficulties in realizing the money in the economic-incentive funds for the purpose of resolving production and social tasks. The use of the money deposited into those funds constitutes an average of approximately 80 percent, and especially large difficulties arise in the complete realization of the production-development funds.

Under conditions of the existing system of material-technical supply, the enterprises operating on principles of complete cost accountability and self-financing continue to have no self-interest in reducing the reserves of commodity-and-material assets. At many of them one continues to observe the practice of shipping in the latter in excess of the production needs, and this leads to the diversion of a considerable part of the enterprises' own working capital into reserves that are in excess of quota. As has been shown by the analysis, the bulk of the excessive and unnecessary reserves of commodity-and-material assets consists of balances of raw and other materials and components that are production items of

territorial agencies of the USSR Gosnab system, and in by no means all instances exert an active effect upon production and consumption to reduce the reserves. There have been numerous examples when requests by enterprises to the supply and sales organizations with regard to the rendering of practical assistance in selling excessive materials and components, the establishing efficient economic ties, and the providing of information concerning the market situation, and other questions have remained unanswered.

It would seem that this situation can be changed only on the basis of the fundamental restructuring of the activity of the territorial agencies and the acceleration of their changeover to the management conditions that were adopted for the production associations and enterprises. The establishment of the direct dependence between the payment of wages and bonuses for the labor performed by the workers in the territorial agencies and the earned profit (income) will lead to the reinforcement and development of their commercial ties with the suppliers and consumers.

The uncomprehensive nature of the economic mechanism also manifests itself in the fact that self-financing is based on the old price system, the shortcomings of which largely predetermined the dissimilar startup conditions at the enterprises and which orient them toward the making of effective decisions dealing with production, scientific-technical, and social development at the expense of the earned funds, and do not always guarantee the correct combination of their interests and the nationwide ones. Incomplete use has been made of the opportunities inherent in the existing mechanism of price incentives: despite the slight increase, the total amount of rebates for inferior output is considerable less than the total amount of markups for high quality. Considering the fact that a wholesale price reform has been planned for 1990, it would be desirable to expand substantially, within the current year, the practice of employing contractual and commercial prices among the producers and consumers primarily for new output.

Despite the steps that were taken to improve the credit mechanism (the granting of credit on the basis of the total size of material reserves and production expenditures; the reconsideration of the scale of interest rates for the use of credit), the payment for credit has not become a factor that guarantees to the necessary degree the saving of material and financial resources. There has not yet been worked out a well-substantiated concept for a credit policy under the conditions of the complete cost accountability and self-financing of enterprises, and the newly created network of specialized banks has been operating in the old way. The changeover of the credit system to principles of cost accountability in activity has been obviously delayed, and this has been reducing its influence on the restructuring of the economy at the enterprises.

The existing system of economic sanctions and responsibility has not yet been reworked and fails to conform to the conditions of complete cost accountability. That system is extremely cumbersome, and individual types of sanctions duplicate one another. As a result, in 1987 the total number of fines, penalties, and forfeits paid, as a whole, for enterprises in the industrial ministries operating on a system of complete cost accountability constituted more than 2 billion rubles, and exceeded the received amounts by a factor of 2. This had a tangible effect upon their financial status. At the same time, the existing mechanism of fines is complicated and leads to the uneven responsibility borne by the suppliers and the consumers.

Thus, the positive results in the operation of the enterprises and associations on principles of complete cost accountability and self-financing in 1987 were obtain under the extremely complicated general-economic conditions of the enterprises' work, with serious shortcomings in the course of introduction of the economic method, its uncomprehensive nature, as well as the poor organization of economic work at the ministries, associations, and enterprises. Nevertheless, when evaluating the results that were obtained, one cannot fail to take into consideration the fact that in 1987 the USSR Law Governing the State Enterprise (Association) and the documents defining the terms for implementing it had not yet gone into effect.

A year that is important and responsible in carrying out the radical reform of the economic mechanism is 1988. First, there has been a substantial expansion of the scope of the changeover of enterprises in the production branches to complete cost accountability and self-financing. In industry, enterprises that produce more than 60 percent of the output of that branch of the national economy have begun operating under those principles. Also, a number of enterprises in the electrical-engineering engineering and construction and geological-prospecting organizations have begun using the second form of cost accountability. Secondly, the changeover was carried out in complete conformity with the principles stated in the Law Governing the State Enterprise. The management conditions at the enterprises that were changed over to complete cost accountability and self-financing in 1987 were also put into conformity with the principles stated in that Law. Thirdly, in order to guarantee the real integration of science and production, the scientific, design, and construction-planning organizations have also been changed over to complete cost accountability and self-financing.

In the current year a number of shortcomings that accompanied the changeover to the complete cost accountability and self-financing of enterprises in the seven first ministries have been overcome. It is fundamentally important that the economic quotas be made known to the enterprises and associations in October-November 1987, practically simultaneously with the quota documents.

In order to make the more complete use of the advantages of the new economic mechanism, to overcome the shortcomings that have been allowed to occur, and to take into consideration the work experience at the enterprises that were previously changed over to complete cost accountability, a set of economic tools was carefully prepared. For example, in conformity with the principles stated in the Law Governing the State Enterprise, there has been an increase in the role paid by payments for the resources used by the enterprises. Rates of payment for production assets, which rates are clear-cut and, insofar as possible, uniform for all enterprises in the branch or all groups of enterprises, will go into effect starting in 1988. The payment quota is formed in the amount of 2-4-6-8 percent of the average annual value of the production assets, not including the intermediate fractional values. Payment for labor resources has been introduced for the first time. This payment was established, as a rule, at a uniform rate for all enterprises (in the amount of 300 rubles a year per worker brought in, or 200 rubles in zones with a surplus of labor).

The conversion of payments for resources into a very important type of payment to the budget (for most of the ministries they constitute 60-70 percent of the total deductions paid into the budget) is an important stage in guaranteeing equally strenuous demands for the use of production and labor resources by the enterprises, for the reinforcement of the principles of cost accountability, and for intensifying the self-interestedness in economizing all types of resources and increasing the profit. For purposes of guaranteeing the stability of the work conditions at the enterprises and organizations, when the initial data was being determined the quotas for forming the economic-incentive funds were equalized (averaged) by individual years of the five-year plan.

The surveys indicate that it has not yet been possible to guarantee the efficient formation of the economic quotas. In a number of instances, when the ministries were making those quotas known to the enterprises, they crudely violated the principles of forming them: the freeing of certain planned-profit enterprises from the need to pay for the resources; overstating the quotas for deductions to be paid into the budget for a group of enterprises operating in an unstable manner and freeing them from payments to the ministries' centralized funds; and overstating the quotas for those payments for the enterprises that were operating well.

It must be noted that, because of the action in the 12th Five-Year Plan of a number of objective factors, the creation of a system of well-substantiated economic quotas that would guarantee equally strenuous demands by the government for the use by the enterprises of the resources allocated to them does not appear to be possible. This problem can be resolved only in the next five-year plan, the 13th. Therefore, for the next group of associations and enterprises in other branches of the national economy that are to be changed over to the new management conditions in 1989 one can speak only of

taking into account the individual peculiarities and circumstances that do not depend upon the activity of their collectives, that distort the work indicators. At the same time it is necessary to intensify the monitoring of the stability of the economic quotas that are made known to the enterprises and their correct application when the profit (income) is being distributed and used, otherwise there will be a lessening of the effect exerted by the economic mechanism upon the enterprises' economy.

In conformity with the Law Governing the State Enterprise and the Basic Principles for the fundamental restructuring of the administration of the economy which were approved by the June 1987 Plenum of the CPSU Central Committee, a state production order was formulated for the first time in the State Plan for the Economic and Social Development of the USSR in 1988. This was an important step in restructuring the centralized planning and expanding the limits of the independence of the primary production link in organizing economic activity. Thus, the development of the state production order made it possible to reduce by a factor of 1/3.7 the number of production-item indicators to be approved and made known to the enterprises.

However, many USSR ministries and departments, when establishing the state production order for their subordinate enterprises, associations, and organizations in accordance with their rights, did not depart much from the obsolete approaches to the detailed regulation of the activity of the basic production link. That predetermined the unjustified expansion of the makeup of the state production order and the preservation at the enterprise level of a broad products list of output (operations, services) planned in a centralized manner. For example, USSR Minselkhozmash [Ministry of Tractor and Agricultural Machine Building], with 49 types of output stipulated in the state production order in the State Plan, and with 72 items coordinated with USSR Gosplan for forming the state production order for the ministry, actually made known to the enterprises, as part of its state production plan, volumes of shipments for 1242 specific types of agricultural machinery, tractors, combines, motors, and other output. A similar situation exists in a number of other ministries.

To a considerable degree the situation that developed with the state production order was influenced by the fact that it was worked out under conditions of a lack of a normative methodological document containing a clear-cut definition of the content of the state production order or the tasks at the various levels of administration during its formation, or the interrelationships among the various parties in the process of placement and fulfillment.

Taking into consideration the shortcomings in the formation of the plan for 1987, USSR Gosplan, jointly with the USSR ministries and departments, carried out specific steps to reduce the time periods required for developing and communicating the planned assignments for

1988. Thanks to this fact, the associations and enterprises were able to begin the contract work considerably earlier. As of 1 January 1988, contracts for the delivery of output with a total value of 461 billion rubles were concluded; this was 90 percent of the overall volume of output to be delivered on that basis. However, that work has been carried out unsatisfactorily for consumer goods.

Steps were also taken to assure the financial improvement of the economy in the branches and enterprises. For example, in December 1987 an interbranch offset of reciprocal indebtedness among enterprises was carried out, with the granting of short-term bank credit for a total amount of 19 billion rubles. Individual enterprises that were in a serious financial situation were freed, for 1988-1990, from paying for production assets and labor resources. However, the financial situation of a considerable number of associations and enterprises still remains unstable. Because of interruptions in the work, in 1987 a large shortage of working capital and indebtedness on bank loans was formed. More serious measures for providing assistance are required here, including the attraction, with the consent of the labor collectives within the framework of the branches, of the uncommitted balances of the economic-incentive funds.

It must be noted that in 1988 the changeover of the enterprises to complete cost accountability and self-financing was accompanied by the acceptance of strenuous planned assignments. A number of ministries guaranteed the conformity of the enterprises' return plans to the initial data that had been made known to them, and for USSR Mingazprom [Ministry of the Gas Industry] and USSR Minsvyazi [Ministry of Communications], they were even higher than the initial data. The labor collectives have been preparing their plans more thoroughly and defending them more firmly to the ministries.

But on the whole, as was noted at the party conference, "effective incentives to encourage the enterprises to accept higher planned assignments have not yet been created in the economic mechanism"<sup>1</sup>. Thus, the 1988 return plans for the enterprises in the industrial and construction ministries that have been changed over to complete cost accountability proved, in terms of value, for the concluding of contracts 3.3 billion rubles (0.4 percent) less than had been stipulated by the initial data. There was a considerable reduction in the production program in the machine-building complex, for which the enterprises had not included in the production plan output valued at almost 1.3 billion rubles. This especially pertains to the associations and enterprises of USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry] and USSR Minselkhozmash. Serious deviations from the initial data were allowed to occur for profit, the total amount of which for the machine-building complex proved to be 1.6 billion rubles less.

To a decisive degree the reduction in the indicators was influenced by the imperfection of the organizing work of the ministries and the enterprises themselves, by the poor preparation for the changeover to the state acceptance of the quality of output, by the insufficient development of intraplant cost accountability, and by the fact that the production plans did not balance with the material-technical resource. But there also exist purely economic reasons why the labor collectives do not accept strenuous plans. They include, first of all, the excessively rigid system of sanctions for violating the terms of the economic contracts. As a result, the increase in the cost-accountable income of the enterprises for accepting a strenuous plan does not completely correspond to their economic losses if various planned assignments prove to be unfulfilled. Therefore many collectives accept a non-strenuous plan in order to guarantee its unconditional fulfillment and overfulfillment.

In order to introduce order into the system of economic sanctions, proposals were made to achieve a sharp reduction in the number of sanctions (preserving them only for serious violations of the state planning and contractual system) and to intensify the material responsibility for violating pledges (with the inclusion directly into the economic contracts of paragraphs concerning the compensation of the losses incurred). The acceptance of these proposals will make it possible to a certain degree to eliminate the enterprises' lack of desire to accept strenuous plans, inasmuch as there will be an assurance of the complete compensation of the losses caused by violations in the economic relations.

An analysis of the production plan for 1988 and its material support indicates that the production program of a number of industrial enterprises that have changed over, or are changing over, to complete cost accountability has not been completed reinforced by resources. The lack of balancing in the plans is the result of the fact that the ministries have failed to meet the deadlines for informing the enterprises of the financial limits for output intended for technical-production purposes and have established for them assignments for the production of output which are overstated as compared with the available resources<sup>2</sup>. A radical instrument for resolving the problem of balancing the plans is the

elimination of obstacles to the independent formation by associations and enterprises of annual plans for economic and social development.

At the same time it must be noted that the economic mechanism to be introduced in the production branches in 1988 will also be essentially a traditional one that was formed within the confines of the previously approved five-year plan and that operates under the conditions of the price system that has developed and the incomplete development of the wholesale trade in producer goods. Therefore, a very important practical task of the next two or three years is the clear-cut organization and coordination, from the point of view of time, of operations to achieve the accelerated restructuring of all links of administration with the purpose of guaranteeing the comprehensive functioning of the economic mechanism starting with the 13th Five-Year Plan.

"It is necessary for us," M. S. Gorbachev indicated in his report at the 19th All-Union CPSU Conference, "with a consideration of the accumulated experience, to prepare carefully for the completion of the changeover, starting with 1989, of all the enterprises in the material-production spheres to the new management conditions. This is a very serious question, and there are no minor points in it, since the reform will affect newer and newer millions of workers"<sup>3</sup>.

#### Footnotes

1. PRAVDA, 29 June 1988.
2. The planning of high rates of production growth requires the corresponding increase in the limits for material resources, the allocation of which is frequently "guaranteed" by establishing for the enterprises assignments for economizing them which are known to be unfulfillable. In the final analysis, all this leads to even greater disproportions and to the freezing of the created production potential.
3. PRAVDA, 9 June 1988.

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## REGIONAL DEVELOPMENT

### Readers' Letters Express Different Views on Estonian Khozraschet

#### Example of Yugoslavia Cited

18200089 Tallinn SOVETSKAYA ESTONIYA in Russian 26 Oct 88 p 2

[Letter from S.Sovetnikov, director of the Narva Politehnikum, Chairman of the Board of the Narva City "Znaniye" Society, and honored teacher of the Estonian SSR: "Not to Repeat the Mistakes of Yugoslavia"]

[Excerpt] The concept of republic economic accountability, worked out by the provisional scientific collective of the Estonian SSR Academy of Sciences' Institute of Economics (see SOVETSKAYA ESTONIYA for 30 September and 1 and 7 October of this year) called forth a response from the readership. We are publishing several letters received at the editorial board.

At the end of May-beginning of June I had the opportunity to visit Yugoslavia as part of a group of lecturers from the All-Union "Znaniye" Society. At meetings in the Society imeni Nikola Tesla and at Lyublyana University, when conversation turned to perestroika in our country, the Yugoslav comrades warned us in a friendly way that we in the Soviet Union should not repeat their mistakes, especially on the questions regarding economic independence during the transfer to complete economic accountability of the union republics. Here is what was stated at a recent session of the government commission on reform of the country's economic system, headed by Chairman of the Union Executive Vetch of the SFRY B. Mikulic: "The excessive decentralization has separated Yugoslavia, has turned it into a number of independent, at times isolated 'small states,' which frequently think only about their own interests and not about the general national interests."

If we force the introduction of regional economic accountability in our republics with a quick tempo we will not avoid similar mistakes, where one republic does not know what another is doing. This is essentially the situation which has taken shape in present-day Yugoslavia.

#### More Details Needed

18200089 Tallinn SOVETSKAYA ESTONIYA in Russian 26 Oct 88 p 2

[Letter from Yu. Zinkel in Tallinn: "The Concept is Well Composed, But..."]

[Text] We finally had the chance to become acquainted, if only in the form of theses, with the integral concept of republic economic accountability. I must say that, reading this material, I sensed a feeling of esthetic satisfaction for the well composed and well thought-out economic system. I think that its authors deserve thanks for the large amount of work they did.

At the same time the concept as a whole is not perceived as guidance for the practical restructuring of the republic's economy.

This is caused first of all by the lack in the published theses of a preliminary and main basis or foundation, buttressed by figures, showing the effectiveness of complete republic economic accountability for the economic prosperity of Estonia and for the growth of its people's well-being.

One of the originators of the idea of republic economic accountability, Mikk Titma, justly noted that basic data was completely missing in the publications which appeared on this theme. Without that, he stated, we cannot introduce economic accountability (See the newspaper RAHVA HAAL for 1 October of this year)

There are also no such basic calculations in the published "Concept." Without them any constructive discussion of the draft is impossible, inasmuch as the very legality of raising the question of republic economic accountability depends on these.

Therefore, I consider that the "Concept of the Economic Accountability of the Estonian SSR" should have been provided beforehand with the following data (say, last year):

- 1.a. Summary receipts of the republic from the sale of products and services of all economic entities located on its territory, indicating the sizes of the deductions in the republic and all-union budgets, as well as subsidies received, capital investment, taxes, and similar receipts.
- b. Summary expenditures of the republic in the production of goods and services, in maintaining the administrative apparatus, and in social, cultural, ecological and other needs, including capital investment.
2. Totals (in cost form) for imports into the republic and the export of goods beyond its boundaries (including commodity exchange with foreign partners).
3. Actual number of those working in all sectors and departments of the national economy.

Along with this:

In the case of a deficit balance in paragraphs 1 and 2 specific ways should be indicated by the authors of the draft on how they would deal with this deficit.

Further, inasmuch as much is said in the draft about the liquidation of some types of production (evidently connected with decreasing receipts and increasing imports), or about reprofiling or retooling them (which entails increasing expenditures), it is necessary also to include for the next few years the planned balance of receipts and expenditures of the republic, taking into account the intended reorganizations.

Now a few particular notes.

Point 5.1.3 says: "In the Estonian SSR a unified, independent, self-regulating school system is to be created, the center of which will be the personality." This eloquent phrase raises a number of questions. What specifically does it mean that the center of the new system will be "the personality?" What is understood by an "independent" or "self-regulating" school? Does this mean

that school education will be transferred to self-financing, that it will have to be paid for? If some kind of real and radical reorganization of the existing school system is intended by this phrase, then it should be described in detail, although in a special commentary on this point. Without this it sounds like an empty declaration and as such does not deserve any kind of business-like discussion. Wouldn't it be better to exclude this point from the "Concept of the Economic Accountability of the Estonian SSR" as an economic draft?

## INTRODUCTION OF NEW TECHNOLOGY

### More Complete Information on Technological Developments Urged

18200077 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 44, Oct 88 p 19

[Article by G. Pushkarev, chief of a design sector at the Scientific Research Institute of Heavy Machinery at the Uralmash Production Association: "A Small Secret for a Large Company"]

[Text] On the cover of the journal *KHIMICHESKOYE I NEFTYANOYE MASHINOSTROYENIYE* [Chemical and Petroleum Machinebuilding] (No 7, 1987) was a photograph of an original new product—a pipeline valve. Next to it was the suggestion to address questions to the Ministry of Chemical and Petroleum Machinebuilding.

We addressed our question. Since that time we have been awaiting an answer.

Another example.

"One of the progressive materials for design purposes is the aromatic polyamide phenylone...the technical superiority of which is realized in its self-greasing parts and parts for anti-friction purposes."

This phrase is taken from an article by N. Zharkova and N. Baranova "The Use of Polymer Materials in Machinebuilding" published in the journal *PLASTICHESKIYE MASSY* more than two years ago.

The authors concluded their article with an appeal for increased creative activity of designers and a broader introduction of new progressive materials "to insure a great national economic effect."

Carrying out this wish, we decided to become better acquainted with this new product. Since the creator of the phenylone was not indicated, we had to start from the beginning: we wrote to the journal. They told us to contact the "Plastik" NPO [Scientific Production Association]. We contacted them. After a month our letter returned to us with this postscript: "We inform you that the developer of phenylone is the 'Plastmassy' NPO." We sent our inquiry to the new address and, it seems, it didn't belong there. They readressed it to the Vladimir "Polimersintez" NPO. Insofar as we have not received an answer from the Vladimir people since July 1986 we have not turned anywhere else.

These cases are not the only ones in our experience. But they are engendered not only by the indifference of the journal workers to the letter writers but also by the

scarcity of information carried in the press. If all the necessary information was reported in the publication we would not have to send letters with requests for the necessary clarification.

What has been said refers to the whole informational flow, beginning with review articles and express-information and ending with specialized informational publications—sectoral and product list catalogs and advertising prospectuses.

It is possible to understand the authors of similar semi-information when the subject is about innovations in science and technology. It is possible, proceeding from state interests, that they are not able at a given moment to describe something in detail and they give to domestic designers a so-called general orientation. They tell designers to have in mind such and such a discovery and if detailed information is necessary, to ask for it personally. But what kind of secrets could cut-off regulator equipment or the most ordinary machine tools contain? Why be obscure about this?

Speaking honestly, a seditious thought creeps in now and then. They are consciously maintaining this failure to mention things in order to confer a bureaucratic significance to the organization-developer (then one has to go begging to it).

However, the matter is apparently something different. As regards purely informational publications, this most of all involves the insufficient qualifications of the executors and the absence of thoroughly worked out forms of transmitting information. The burden of historically created stereotypes prevails.

If one turns to published articles it must be owned up that often only the fact of the material's appearance in the press (for example "within the framework of preparing a dissertation") concerns the authors. Otherwise how can one explain, for example, the lack of an answer to a specific inquiry about the publication? By one thing only—it makes its way onto the pages and therefore it's all right.

These ills, however, are not new for us, the practical workers, and they have not lost their urgency. I decided to write to *EKONOMICHESKAYA GAZETA* about them because this year access to informational data has become more complicated.

Discussion has increased about the need to pay for information services, engendered by the USSR State Committee for Science and Technology decree No 435 of 19 November 1987. *EKONOMICHESKAYA GAZETA* has written about this more than once.

The need to pay does not raise any eyebrows when one discusses technical documentation connected with the transfer of articles for delivery to production or the use

of supporting studies in the technological or organizational plan. But to lay out money for "compensation" for insufficiently published information? And what kind of concluding agreement can be talked about if instructions are needed for the use of some kind of purchased product? In a word, there is much here which needs to be specified.

It seems it would be useful to issue a statute on scientific-technical information and resolve all disputed instances. This question is exceptionally important. It is no accident that scientific-technical information is now considered a national resource.

#### What needs to be specified?

First of all, to note that any kind of scientific-technical article of an informational or advertising-propaganda character in any publication should be accompanied by "starting point data" (address of the developing organization, stage of development, etc). The authors and the press organ representing them on its pages bear the responsibility for the authenticity of their information.

Further, the order of work with information inquiries ought to be specifically defined: Time for carrying it out, control over execution, kinds of questions within the competence of the enterprise or organization being asked and those which are the prerogative of the head institute or the ministry.

Finally, the commercial side of the matter should be reflected. It must be clearly differentiated as to what kind of information is paid for and what can be offered for free. It seems to us that sending enterprise product lists, passports, technical service documents, and instructions should be viewed as a service. And if these services are done for payment, it should be on a non-contractual basis. This will somewhat speed up and simplify the information process.

In addition, we should increase the range of catalogs and along with them one-time publications from which a customer draws information about industrial products. It is possible to do this, moving them from the category of "preliminary presentation" into the category of a basic and authoritative source of information for purchasable products. Thus, designers and draftsmen would be freely able to use these publications without the concern of being dragged into an epistolary waste of time.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

Growth Rates Fail to Keep Pace With Investment  
18240015 Moscow PRAVDA in Russian 8 Sep 88 p 2

[Article by V. Miloserdov, deputy chief of the APK [Agroindustrial Complex] Consolidated Department of the USSR Gosplan and corresponding member of the VASKhNIL [Academy of Agricultural Sciences imeni V. I. Lenin]: "Key Links in the Agroindustrial Complex: Cost Accounting, Leasing and Cooperatives Will Help to Unite Them in a Single Chain and Resolve the Food Problem as Quickly as Possible"]

[Text] The country's agroindustrial complex is a large national economic organization. About one-third of the overall volume of fixed production capital is concentrated in it. Roughly one-third of the investments and a large amount of fuel and power resources, machinery and equipment, construction materials and metals are channeled here. It provides about 29 percent of the net production.

The intensification of specialization and the public division of labor and the change in socioeconomic conditions have made management more complicated and have led to excessive growth in the machinery of the agroprom [agroindustrial association]. Let us add here the management machinery of kolkhozes and sovkhozes, consisting of over 2 million individuals. And with all of this, production growth rates are lagging behind the rates of investment. Fixed capital was roughly doubled from 1975 to 1986, but gross production increased by less than one-third as much. At the same time, each percent of increase in output required an increase of 8.4 billion rubles in capital.

There are many reasons for that. Less social activeness by the masses, alienation of the individual from social property and management, and less incentives for work. The political system became a serious obstacle. As mentioned at the 19th All-Union Conference of the CPSU, it proved to be incapable of preventing the growth of manifestations of stagnation. A reform in management of the national economy which is far-reaching in its objectives and scope has now begun in the country. It has affected the agroindustrial complex as well.

A single organ has been created and a new economic mechanism has been introduced. Planning, financing, and extension of credit are being improved. Means and forms of scientific support for the APK have been defined.

With the help of these measures, it was planned to rectify sectors' departmental dissociation and extend enterprises' independence. However, significant progress has not been made yet. Why? The obsolete bureaucratic system has not been broken up yet. Pressure methods of management have not gone into retirement, and the rights granted to farms often exist only on paper.

"Once we realized that the present system of managing the APK was not producing a particular impact," M. S. Gorbachev said at the recent CPSU Central Committee plenum, "and was becoming obsolete, it was not worth holding on to it... Reorganization of the APK should not be delayed..."

The status, functions and rights of the councils of RAPO's [rayon agroindustrial associations] are being changed in a number of regions, and regional cooperative associations, including kolkhozes, sovkhozes, and service and processing enterprises, are being established on a democratic basis.

There are about 100 agricultural combines, over 90 agroindustrial associations and firms, and roughly 700 scientific-production and production systems operating in the country. Combines such as the "Kuban" in Krasnodar Kray are being created on the basis of RAPO's, as a rule, and operate in accordance with the principle of intersectorial cost accounting and self-financing. The bulk of their output is processed by their own enterprises.

Associations such as the "Novomoskovskoye" in Tula Oblast are established in a different way. The main subunits here are the sectorial cooperatives. The internal structure is built on the basis of cooperation and intersectorial ties are improved.

Experience shows that integrated organizations carry out tasks in a combined approach and develop a unified mechanism, without which intersectorial cost accounting is inconceivable. Departmental barriers are removed. At the same time, the partners' mutual responsibility for the end results is increased. Their creation and formation are being held back, all the same. Individual ministries and departments and the USSR Gosagroprom [State Agroindustrial Committee] are obstructing the inclusion of their enterprises and organizations as part of such firms. It has to be recognized that the existing system of managing the APK is an obstacle in the way of what is new and progressive.

The process of democratization objectively requires fundamental changes in the agroindustrial complex as well. As V. I. Lenin pointed out, it is necessary that "the masses immediately learn about management of the state and the organization of production on a national scale. This is an immensely difficult task. But it is historically important that we set about carrying it out..."

We also have to develop all the diverse forms of cooperation further and to intensify specialization and integration. The principal levers should not be directive targets, but commodity-money relationships: prices, lease payments, norms, and other economic instruments.

At the same time, it is important not to repeat the mistakes of the past and to remember the harmful nature of deviations from the Leninist teaching about cooperative activity. Political mechanisms and guarantees are needed to rule out the possibility that such principles may be violated in the future.

A firm course has been set toward wide-scale introduction of collective, family, and lease contracts everywhere. Such collectives are working more than 80 percent of the lands and raising most of the cattle and fowl. High economic results are often achieved. However, in most cases they have been developed formally all the same. Cost accounting is lacking, and some of them are collapsing quite rapidly.

**The leasing collectives, which have been given full independence on cost accounting principles, have turned out to be more viable and efficient. Commodity-money relationships are widely utilized here. There are many examples where the leaseholders increase the harvest yield by 10 to 15 quintals and the milk yield by 1,500 to 2,000 kilograms over a short period of time. The "Strelets'kiy" Sovkhoz in Tambov Oblast is an example. In 2 years of operation on a contract basis, the farm's dairy herd productivity increased by 1,516 kilograms, adding up to over 5,000 kilograms from each cow. At the same time, the production cost of milk decreased by 21 percent and labor productivity rose by 46 percent. "Experience such as this," it was noted at the recent CPSU Central Committee Plenum, "exists in all regions and all areas of the country."**

The introduction of leasing and other forms of organizing and providing incentive for labor everywhere is a key link in current agrarian policy and a very short and reliable path toward food sufficiency. At the same time, this work cannot be turned into a campaign.

We are faced with a different kind of concern today. In spite of the high efficiency of leasing collectives, the innovation is being introduced extremely slowly. There are various reasons. They include the fact that the economic education of personnel is inadequate and that managers and specialists are secretly—and at times openly—opposed to the progressive process.

The system of management with regulation of production, a rigid system of planning, accounting, and price setting, and limited distribution of material and technical resources that has taken shape runs counter to it as well. This paralyzes initiative and engenders indifference toward the work. The structure of kolkhozes and sovkhozes that has developed does not correspond to current conditions. It does not blend with the framework of consistent cooperation and does not rectify the lack of personal responsibility for using lands and assets. There is not enough democratism and glasnost here.

Kolkhozes and sovkhozes will gradually become associations of independent, cost accounting, primary cooperatives which are concerned not only with production, but the processing of output, the provision of services, retail trade, and public dining.

So that we do not proceed by trial and error, we need a model of the APK system for the conditions of cost accounting and democratization of management and the best possible dimensions for subunits and farms. It is expedient to build the organizational structure from the region to the center, taking into account the use of their capabilities.

Experience in developing cooperative activity in the 1920's attests to the advisability of forming cooperative unions (associations) according to the types of activity and the territories. The objective of such unions is to promote the development of democracy, the generalization of experience, improvement in production specialization, and coordination of activity. Such a system is also a barrier against management by decree.

The democratic nature of cooperation is full independence in planning. Contract relationships are legal and economic in form. By operating under the principles of full cost accounting and self-financing, the cooperative will determine the volume of production and the most advantageous structure for it. Contracts will be concluded with the consumers of output and the suppliers of material and technical resources.

Unfortunately, the former administrative dictates are essentially being maintained under the guise of the state order, economic norms and other innovations. The production order-plan amounts to 90 to 100 percent of the total volume. Areas to be sown and the number of head of cattle are set from the top. But after all, a party and government decree has been adopted which repudiates planning in accordance with the level reached, which is oriented toward simple extrapolation of previous tendencies.

The striving to cover all aspects of life by detailed centralized planning and control, it was noted at the 19th All-Union Conference of the CPSU, has literally confined society and has become a serious hindrance to the initiative of persons, public organizations and collectives.

Planning from the level that was reached and the evaluation of activity according to the results of each year taken separately are fraught with losses. Let us say that in fulfilling an oblast or rayon plan for purchasing cattle and fowl the farms stop turning them over in the last months in order not to receive more intensive plans for the following year. Those who do not fulfill the plan also act in the same way. Then they create a safety margin for

fulfilling it the following year. At the same time, in November and December they underfeed the cattle, restrict any increase in their productivity and cut back sales.

**This does not make it possible to free productive forces.** Here are examples. The number of cattle and fowl sold to the state in the Tatar ASSR was three times higher in January 1987 than in December 1986; the number sold was 3.2 times higher in Lipetsk Oblast and 2.1 times higher in Belgorod Oblast. The last 2 months of the year, the meat combines are idle because of the lack of raw material, but in January and February they are overloaded and feverish here. The cattle are behind the gates. They are kept too long on the farms as well. Fodder consumption increases sharply. The country is not receiving a large amount of meat.

In my view, we need a shift to a normative method of planning and evaluation of farms with a cumulative sum, not according to each year taken separately. For example, in accordance with the total for 2 years of the five-year plan in 1987, in accordance with the total for 3 years in 1988, and so forth.

Let us take the siting of production. It should provide for savings in national labor and the comprehensive and highly efficient development of each region. In the past, investments were distributed in accordance with the ministries and departments, without coordination with partners. This led to the point where the food sectors, for example, built up gigantic enterprises. It was more profitable for the department, but not the agroprom or the country. Small plants, milk receiving points, slaughterhouses, and shops for processing fruit and vegetables were eliminated. Kolkhozes and sovkhozes were forced to transport the milk from 70 cows for 200 and even 500 kilometers. Transportation expenses, product losses and deterioration in product quality sharply increased.

Last year 73.3 million tons of grain were purchased in the country and 30.4 million tons were purchased abroad. Each of these tons traveled an average of 1,144 kilometers on the country's roads, and 64 million tons of it were returned to farms as either ground grain or mixed feed. Before reaching the farms, the fodder accumulated roughly 70 billion ton-kilometers! And these runs were often senseless, wasting the resources of the rural areas and the country. An overall plan for siting agroindustrial production is needed. Processing enterprises should be closer to the sources of raw material. And this work should not be delayed. For the matter will be difficult to rectify later.

Fundamental improvement is needed in the accounting and reporting system. Only in this way can the number of management personnel in an agroprom be reduced by factors, not by percentages. There is no necessity, and there is no time, for a leasing collective or a primary cooperative to compile a vast number of reports on standard tractors and relative hectares, to fill out a

brigade leader's personal accounts, and to weigh the cattle every month for fattening. Everything is clear-cut and obvious: what was spent, what was produced, and what income was received.

It was stressed at the recent CPSU Central Committee plenum: "Our greatest reserve is the struggle against losses... much less time and expenditures will be required for this than to increase production volumes. Investments in eliminating losses and in processing are the most profitable and the most effective." However, for many five-year plans the growth rate of investments in the food sector have been roughly three times less than in agriculture. The enterprises have been neglected and the introduction of capacities has declined; 40 percent of the resources have worn out. Many products spoil and do not reach the consumer.

**At the same time, for example, huge investments have been put into land reclamation for over two decades, although the return from them is often low. In the 11th Five-Year Plan, 45 billion rubles were allocated here. The average annual increase in output from these lands amounted to 378 million rubles. This means that the investments in reclamation will be recovered only after 35 to 40 years, taking current expenditures into account.**

Investments in the capital-producing sectors of the agroindustrial complex have remained at an extremely low level (6 to 6.5 percent). Investment in machine building for agriculture has been 18 times less and investment in the manufacture of machinery and equipment for the light and food industry has been 24 times less than in the sector for which these machines are manufactured.

Let us consider these figures. In 1985, about a million workers were employed and 11.5 billion rubles of productive capital, or roughly 80 percent of basic machine building, were spent by maintaining equipment with the aid of minor and capital repair. All the same, up to 60 million tractor-days, more than half of which were related to malfunctions, were lost because of downtimes. This is equivalent to having about 300,000 tractors which do not take part in the work each year.

The meager investments in agricultural machine building led to the point where the proportion of active fixed production capital was reduced from 27 percent in 1965 to 20.3 percent in 1985. As a comparison, 60 to 70 percent of the capital is active in countries with developed agriculture. In my view, this is the main reason for the significant lag in labor productivity in the rural areas. In the current 5-year period, the growth rates of investments in capital-producing and processing sectors are five to 10 times higher than in agriculture. It would seem that this is what will significantly improve the structure of the agroindustrial complex, and consequently, its efficiency of operation. But this has not taken place. Only 75 to 85 percent of the investments allocated for 2 years have been assimilated.

We must repudiate the unsound practice of planning in which one sector or region or another is brought up "to the limit," as they say, and then we jump to another extreme and sharply increase the volume of investments in it.

Today the agroindustrial association needs a fundamental restructuring of the entire system of material and technical supply and a shift to wholesale trade. This is an integral part of the new economic mechanism, without which cost accounting cannot function effectively and self-support and self-financing are impossible.

The process of transition to wholesale trade is being delayed to an incredible extent. This year only one-fourth of the overall volume of material resources were planned for sale through wholesale trade. But these are essentially immovable, above-norm stocks that are not liquid. By 1992 it is assumed that 75 to 80 percent of the total sales of material resources will be provided for through wholesale trade. Consequently, introduction of the mechanism to counter expenditures is being delayed. With the transition to a leasing contract and cost accounting, labor collectives are rejecting excessively expensive services. But while the expenditure mechanism has not been broken, servicing organizations have material resources and spare parts. They are continuing to wind up the volumes of work in order to receive bonuses at the expense of the kolkhozes and sovkhozes.

There are also many misunderstandings in foreign economic relations and the structure of exports and imports. They have a direct and immediate effect on the country's food supply and economy.

**For example, we produce more than 90 million tons of wheat. We also purchase it abroad. The requirements for wheat do not exceed 45 million tons. Consequently, tens of millions of tons of it go to livestock. Isn't importing grain for such purposes an example of wastefulness?**

By having 0.8 hectare of arable land per person, we are able to feed the country as much as we want, of course. Unfortunately, we cannot manage without imports at present. One of the reasons is that little mineral fertilizer is being applied. And here is the paradox. Our fields are receiving only 40 percent of the recommended norm, but we are exporting millions of tons of fertilizers at the same time. Calculations indicate that 4.5 times less grain is acquired with the foreign exchange received from exporting mineral fertilizers than could be acquired if they were used for our own grain crops.

But these are calculations. The fact is that this is not what is taking place. Over the past 15 years, the deliveries of mineral fertilizers to farms have increased by 2.5 times as much. Grain imports have not only not declined, they have increased. Cost accounting will do away with such paradoxes. This is why it is so important

for us to improve management and the economic mechanism and to shift to economic methods. This is why the party and the state consider these matters of paramount importance.

8936

### **Uzbek Central Committee Plenum Tackles Agricultural Issues**

#### **First Secretary Nishanov Address**

*18300057a Tashkent PRAVDA VOSTOKA in Russian  
27 Aug 88 pp 1-3*

[Unattributed report: "The Uzbek Communist Party Central Committee 11th Plenum. On the Urgent Tasks for Party, Soviet and Economic Organs in the Republic To Improve Food Supplies for the Population in Light of the Decisions of the 19th All-Union Party Conference. The Report of Uzbek Communist Party Central Committee first secretary R.N. Nishanov"]

[Text] Comrades. The life of each labor collective and each party organization is today defined by the decisions of the 19th All-Union Party Conference. They have found warm support and approval among the people because they are aimed at solving urgent tasks that brook no delay in improving people's living conditions and satisfying more fully their daily needs and requirements.

It is a question of the most acute and most important problems that have built up for the individual and for society—food, housing, public health, education, working conditions and the environment, consumer goods and services, and the organization of people's leisure.

The conference set the tasks in such a way that none of us has the right or the time to remain immobile, or for slow thinking about events taking place and the new political directions. Neither can there be any place for or expectation of additional instructions and directives or promptings from above. The need for real shifts in satisfying the daily needs and requirements of the workers goes far beyond the confines of our usual daily affairs. It is, if you like, the main criterion for the whole of perestroika, the basic indicator for implementation of the instructions of the party conference.

Immediately following the 19th All-Union Party Conference the central committee buro reviewed the question of urgent measures to fulfill its decisions and defined the priority tasks to accelerate development of the social sphere, and strengthen the members of the central committee buro and leaders in the republic wing in the most important directions of this work.

**At the CPSU Central Committee July Plenum the Food Program was named as a radical socioeconomic issue. For our republic this is of extraordinary importance. The massive account padding and falsification permitted has done enormous damage first and foremost to the agro-industrial complex. We have discussed on more than one occasion the forms and scales of this truly colossal**

economic and ideological-political loss. Particular guilty parties have been strictly dealt with. If I may put it this way, the mechanism of reproduction of these abnormal phenomena has now been smashed, and a reliable system of guarantees that will prevent its re-emergence is being created. But we are still unable to state that social justice has been restored in full measure. Much work remains to be done, and in a party-minded fashion we share the alarm and concern about the state of affairs in the republic that the CPSU Central Committee is showing.

A special obligation has been laid on us in connection with the visit to the republic by CPSU Central Committee General Secretary Mikhail Sergeyevich Gorbachev and the advice and wishes he expressed during the course of his meetings with the party and soviet aktiv, specialists, the working class and workers in the fields and farms. This gave us an enormous charge of energy in the matter of considering the quest for directions and ways to insure insure accelerated development of the national economy and a way out of the impasses into which the republic has fallen.

The CPSU Central Committee and the Soviet government are providing us with enormous assistance to correct matters in the economy as quickly as possible, and to insure stable work in all sectors of the national economic complex. The CPSU Central Committee recently adopted a number of resolutions aimed at accelerating the development of agricultural production and improving the ecological situation in our republic and in the entire region. We are receiving additional mechanisms, equipment, concentrated feed and mineral fertilizers from the center. A series of valuable pieces of advice, recommendations and comments on improving the efficiency of the agro-industrial complex and on accelerated resolution of the Food Program was expressed by CPSU Central Committee Politburo member and CPSU Central Committee secretary Viktor Petrovich Nikonorov during his visit to kolkhozes, sovkhozes, industrial enterprises and other establishments in Fergana, Samarkand and Tashkent oblasts. Workers in our republic are trying to respond to the concern of the CPSU Central Committee and Soviet government with persistent work to provide the necessary return.

At the same time, the earlier extremes and distortions that were permitted have turned out to be so enormous that the position in a number of sectors, first and foremost food supplies for the population, remains exceptionally tense.

In these last years the per capita consumption of foodstuffs has not only not grown but in terms of a whole series of indicators has even declined. For many years we have produced only 16 kilograms of potatoes per capita, 138 kilograms of vegetables, 45 kilograms of melons, 75 kilograms of fruit, 135 liters of milk, and 110 eggs. In terms of meat consumption the republic is 2.2 times lower than the average all-union level, while the figures for milk and eggs are 2.2 and 2.5 times respectively.

Today, therefore, V.I. Lenin's behest that "the real foundation of the economy is the food stock... without this state power is nothing. Without this stock social policy remains only a wish" is for us more urgent than it has ever been.

Proceeding from the instructions of the 19th All-Union Party Conference, the central committee has set the following task: by making active use of up-to-date forms for the organization of production and labor inherent in the new economic mechanism, to satisfy the population's demand for the most important foodstuffs as quickly as possible and by 1990 bring consumption of all kinds of products up to the level envisaged by the Soviet Union's Food Program.

This present plenum of ours must comprehensively discuss practical measures to develop the food sectors and improve supplies of fruits and vegetables, meat, milk and other foodstuffs for the republic's population. Much preparatory work has preceded this. Detailed discussions have taken place in the central committee with agrarian experts, agricultural leaders and specialists and the party aktiv. The measures submitted to the members of the central committee to build up production in the food complex have been examined in the party obkoms and raykoms, the primary party organizations and labor collectives in the agro-industrial complex. About 3,000 representatives of the party and soviet aktiv and republic workers participated in preparation of the materials.

All those involved were in unanimous agreement that the republic has real major opportunities for solving the food problem rapidly and in a good way, and is capable of radically improving supplies for the population and significantly improving the efficiency of arable and livestock farming.

The republic agro-industrial complex occupies one of the leading places in our country in terms of availability of funding and energy resources. Each year more than R2 billion are invested in its development. However, the proper return from this is not being seen. For the country as a whole agricultural output per worker is R8,000, but in Uzbekistan it is half that figure—R4,000. Even in Tashkent Oblast, which specializes in food production, output per worker is only R2,700, while in Bukhara, Fergana, Surkhan-Darya and Kashka-Darya oblasts it is even less.

The main reason for the low return on capital investments allocated to agriculture is the following: they are not being underpinned with appropriate work to change economic relations in the countryside, activate the human factor and develop the social sphere in the countryside.

Our land reclamation work, the introduction of crop rotation and intensive technologies, organization of the agro-industrial complexes and agricultural combines and specialized sovkhozes, and the state of seed growing in the production of agricultural crops are unable to stand up to any kind of criticism.

It must be admitted that the Uzbek Communist Party Central Committee Buro and Secretariat and the republic Council of Ministers and the leaders of the republic agro-industrial complex have still been unable to insure any radical change in agricultural production and have not managed to analyze their work flexibly or self-critically evaluate it, nor the work of specialists, in restructuring the agro-industrial complex in Uzbekistan.

Today we must all understand that the party committees, soviet organs, and the leaders of the State Agro-Industrial Committee and of the kolkhozes and sovkhozes in the republic may lose the trust of the people if they fail to take energetic steps and urgent and effective measures sharply to increase the production of foodstuffs, starting from this year. This, dear comrades, is how acute the food problem is.

**Proceeding from the instructions of the CPSU Central Committee July Plenum, the republic central committee buro and Council of Ministers drew up proposals for the development of the agro-industrial complex for the period through 1995, and these have now been submitted for consideration by the USSR Gosplan and the USSR State Agro-Industrial Committee.** After appropriate work on these questions in those organs they will be submitted for consideration in the CPSU Central Committee and Soviet government.

They include stepped-up volumes for the production of foodstuffs by a factor of 1.5 and even 2.2 against 1987 growth rates. Already by 1990 we must increase meat production 24 percent, milk production 12 percent, fruit and grapes by a factor of 1.5, and potatoes by a factor of 2. I say candidly, comrades, that this is a difficult task, but it is quite achievable.

**There are now about 2,000 kolkhozes and sovkhozes in the republic and they are all involved in realization of the Food Program. The farms growing cotton have played and continue to play a major role in this.** They account for about half of grain, vegetables, melons and potatoes, 80 percent of fruit, and almost 40 percent of milk and meat.

I would like particularly to emphasize that cotton has been and remains Uzbekistan's most important national contribution and the foundation of its economic prosperity. The Food Program is in no way at variance with cotton growing.

In addition to the fiber, cotton provides about 500,000 tons of vegetable oil, 1.5 million tons of oil cake, and 500,000 tons of husks, which are a valuable food product and protein fodder. Well-substantiated calculations show that for the republic as a whole 250,000 tons of meat (live weight) can be obtained from these fodders.

During the course of talks in the Uzbek Communist Party Central Committee agrarian experts and agricultural specialists emphasized that given a rational structure for the areas sown and the use of intensive technologies and progressive forms for the organization of labor and wages, the cotton-growing farms can double milk and meat production. This is also seen, in particular, in the experience gained by the large "Malik" sovkhoz, which in 1987 produced 1,600 quintals of cotton, 800 quintals of milk and 140 quintals of meat (slaughtered weight) per 100 hectares of irrigated land. These are the kinds of reserves to be found in competent cotton growing and with organizational work by the party committees and other organizations concerned with reserves and the opportunities available to kolkhozes and sovkhozes in increasing the contribution from cotton-growing farms to the Food Program. I shall talk later about the kilogram production of meat per 100 hectares on other farms.

**Comrades, our work in grain growing is at a very low level.** As is known, no long-term prospects can be seen for expanding sown areas. Therefore, the source for obtaining grain remains yield increases on irrigated land and more efficient use of non-irrigated land.

Whereas in cotton growing we have gained a great deal of experience, and today we are talking about its further improvement, I have no hesitation in saying that in grain production, neglect and backwardness remain. This is shown by the fact that on irrigated land we obtain 20 quintals per hectare of cereals, while the figure for rice is 34 quintals. These are not indicators, comrades, they are simply disgraces. The crux of the problem is that in all oblasts grain growing is regarded as a secondary matter. Even in a favorable year the farms in Navoi Oblast (comrade Yefimov) reap only 7 quintals from non-irrigated land. How can we continue to work like this? Most of the non-irrigated land, from which we must obtain stable harvests of at least R1 million tons of grain in any weather conditions, is located in this oblast, and also in Dzhizak, Kashka-Darya and Samarkand oblasts, and we are obtaining only about half of this and losing any solid addition to food resources.

And this is all because in grain production we have not had the necessary number of equipped links and brigades and are doing a poor job of introducing leasehold, brigade and family contracts. Yesterday in Kattakurganskiy rayon Viktor Petrovich was talking with leaseholders. One of them told of his own experience in working on non-irrigated land: under this years' conditions he has obtained 18 quintals of grain per hectare. He believes that non-irrigated farming in our republic can provide 15 to 18 quintals of grain on a steady basis. Why is it that one person can achieve this while another alongside obtains only one-third the amount? There is only answer: in grain production there is little order, and at the local level they fear even to offer non-irrigated land for leasehold but stand around waiting for special instructions. And chaos and confusion also reign in the

specialized rice-growing farms. Year after year there is no decline in fields sown to rice but yields are already down to 75 percent. Instead of obtaining 50 to 60 quintals of rice per hectare we are now obtaining 34 to 35. The poor organizational work of the party and soviet organs and of the agro-industrial complexes is obvious here. The only recently defunct Glavredazirsovkhrostroy (led by comrade Tursunov) failed to do the appropriate work in field planning. We can no longer use irrigated land to produce only 34 quintals of rice. It is essential to set serious tasks to increase rice yields and to use every effort to accomplish this.

Before the plenum, in conversation many leaders, scientists and rank-and-file rural workers expressed the thought that the republic has opportunities and should increase the production of grain for forage. They rightly advised that the grain areas should be sown to barley, triticale and oats and mixtures of them with legumes. Only this can increase the yield of nutrient mass per hectare by a factor of almost 1.5. It is essential to make more complete use the experience of our Bulgarian friends who have visited the republic; this year, 65 to 80 quintals of corn per hectare are already being harvested from the best land in Tashkent, Syr-Darya and Dzhizak oblasts. In short, we must turn to the non-irrigated land, and the task is plain—to bring the total grain harvest up to 2 million tons in 1990, and by the end of the next five-year plan to increase this figure by another 20 percent, with average per hectare yields of 30 quintals, including 55 quintals for rice and 65 to 70 quintals for corn throughout the republic. Only then can we talk about serious gains in the Food Program.

**It is common knowledge that the republic is a major producer of fruit and vegetables and melon crops, and this places Uzbekistan in a special position in terms of its contribution to the Food Program, both for its own program and the all-union program.** Nine rayons and 285 kolkhozes and sovkhozes specialize in this sector. However, the republic failed to fulfill the plan for a single type of fruit or vegetable, either in the 11th Five-Year Plan or in the first 2 years of the current five-year plan.

**Let me start with potatoes as, I think, the most neglected section.** In Syr-Darya, Tashkent, Andizhan and Kashka-Darya oblasts last year the plan for potato production was only half fulfilled. The legitimate question arises: why? I am evidently not in error when I say that the leaders of the republic State Agro-Industrial Committee and its oblast and rayon subdivisions, and also the kolkhozes and sovkhozes talk constantly and unjustifiably about the impossibility of growing potatoes in the local climatic conditions. But, see, many years of practical work at the sovkhozes "60-let USSR" in Shavatskiy rayon in the Khorezm zone and the "Leningrad" in Rishtanskiy rayon in the Fergana valley, and of the kolkhozes imeni Navoi in Chustskiy rayon in Namangan Oblast and "Pobeda" in Bagdadskiy rayon, which obtain 150 to 190 quintals of potatoes per hectare, refute these

opinions. The secret of successes like these is enriching the soil with organic fertilizers, good seeds, the correct organization of work and the introduction of collective forms of contract.

Leaders in the Central Asian branch of VASKhNIL (comrade Akmalkhanov), the Scientific Research Institute of Vegetables, Melons and Potatoes (comrade Nuridinov), and the Uzsortsemovoshch Association (comrade Khodzhayev) have also given way to ruinous attitudes. And it still does not worry them, I say it candidly, that potato growing here is based on imported seed stock and more than 40 varieties are being sown of which only 6 are suitable for the zone. I think that we must halt all the polemic here and assume a firm position—quickly to organize specialized seed stock farms, first and foremost in Fergana, Samarkand, Kashka-Darya, Khorezm and Tashkent oblasts. This will create an opportunity by 1990 to more than double potato production against the 1987 level. And this position is supported by specialists who have participated in the discussions on the materials immediately before the plenum.

But even in this case the population's demand for potatoes will be satisfied only 50 percent and it will not be possible to halt imports of potatoes from other areas. On this subject a number of comrades introduced the following bold proposal: what if potato production is organized with the participation of republic rural workers in traditional growing zones in other republics and oblasts? The scheme could be experimental at first, and our densely populated oblasts could select one or two sovkhozes in potato-growing areas of the country where the republic could create a base for the production and storage of potatoes with subsequent delivery to points of consumption, and even into the all-union stocks.

The first secretary of the Fergana party obkom comrade Umarov recently visited Kalinin Oblast. There, an enormous land area of more than 500,000 hectares is not being used because there are no people; opportunities for growing potatoes are great. Why do not Fergana, Andizhan, Namangan and all the other oblasts send 500 to 1,000 people there to organize two or three farms? Housing is available and the shift method can be employed. All that is required is to work with sense and initiative. Comrades from the RSFSR and the first secretary of the Kalinin Obkom comrade Tatarshuk would totally welcome such a step. It is essential to move to this actively and the central committee and republic government are considering specific questions in the organization of this matter.

**Some different and new approach is also needed to the production of fruit and vegetables and melons.**

Why, for example, has production of these crops remained virtually the same in Tashkent oblast for the past 7 years while yields have been falling? Do the

Tashkent Obkom and oblispolkom not see these alarming trends? Of course they do. But neither the obkom and its now former first secretary comrade T.A. Alimov nor the chairman of the oblispolkom, comrade P.M. Abdurkhmanov, nor the chairman of the oblast division of the State Agro-Industrial Committee, comrade N.I. Gusakov, have been properly demanding with respect to the leaders, and themselves stand aside from things. The plan for vegetables and melons is being fulfilled by various tricks and not, I think, without the knowledge of the party obkom and oblispolkom. Volumes are being achieved mainly through early cabbages and onions, and for melons through late-ripening water melons. And the range of products grown cannot stand up to criticism. Everything ripens at the same time and also instantly disappears. There are no early vegetables, no green crops. The plans are being fulfilled, but the acute nature of supplies for the population of Tashkent remains the same. This also applies to the leaders of Navoi, Kashka-Darya and Dzhizak oblasts, and indeed almost all oblasts. Overall, for the republic in 1987 some 296 farms, or one-third of them, obtained less than 100 quintals of vegetables per hectare. So that everyone is saying that no attention is being given to these crops.

You remember, do you not, the statement by farm leaders in Andizhan and other oblasts at our conference. On our land it is possible to obtain 600 to 700 quintals but the average is 100 quintals. This is a disgrace, comrades. Our procurement services are unable to obtain and market even the produce that is grown. In talks before the plenum the chairman of the kolkhoz imeni Zhdanov in Bostanlykskiy rayon, comrade Abdurhalikov, also stated that the difficulties in handing over produce are worse than growing it. On this score we have received many complaints in the central committee from horticultural associations and the owners of private subsidiary farms and from kolkhoz and sovkhoz leaders. This is direct proof that the consumer cooperatives and other procurement organs, including the State Agro-Industrial Committee procurement services, are doing a poor job in organizing the procurement and marketing of agricultural output, while the private dealers in the market are able to dictate their own conditions because of this. And the cooperatives are making it worse.

Thus, in July the price for onions in the urban markets in our republic was 1.5 times higher than in Donetsk and Poltava, while the cost of beet in Andizhan and Termez was four to eight times more than in Kaunas and Rovno. Whereas in Tashkent a dozen eggs cost R2, in Frunze the price is R1.20, and in Aktyubinsk R1. Are we really unable to insure egg production?

We are now posing the task thus: in the matter of supplies of vegetables to people in the cities, this year we must make a serious change, and next year we must eliminate the shortage in general and remove virtually all problems with the production, procurement and marketing of tomatoes, cabbage and other vegetable products.

We must set up special zones around each oblast center to grow fruit and vegetables, primarily in Samarkand, Andizhan, Namangan, Kashka-Darya and Syr-Darya oblasts. With regard to Tashkent city and oblast, starting in 1989 Yangiyulskiy rayon, farms in Narimanov city, and perhaps a number of others, must switch entirely to this production. Together with the agro-industrial complex the oblast committee and oblispolkom must devise ways to solve this question.

In the opinion of leaders in Samarkand Oblast there are good opportunities for placing vegetable production on a firm foundation, for example, potatoes, and for supplying them not only to the population of Samarkand but also Tashkent city.

Proceeding from all this the central committee buro has entrusted the chairman of the republic Council of Ministers comrade G.Kh. Kadyrov with the task of organizing day-to-day control over the course of implementation of measures devised to increase the production and improve supplies of foodstuffs for the population. Together with the oblast leaders he must on a priority basis and in the most attentive way consider this matter in depth precisely on the basis of the calculations and achieve a situation in which this control is active and effective.

**The business of using hothouses is being corrected in the republic with intolerable slowness.** At the kolkhozes "Pravda" in Khankinskiy rayon, "Kommunizm" in Turtkulskiy rayon, and "Kyzyl Uzbekistan" in Ordzhonikidzevskiy rayon miserable harvests are being obtained per square meter of these expensive installations. In Dzhizak, Namangan and Syr-Darya oblasts only 50 percent of the possibilities of hothouses are being used.

Yesterday during conversation with agricultural specialists and field workers Viktor Petrovich reproached us for the fact that only 7 kilograms of vegetables are being obtained per square meter. Even worse, we have farms where they are obtaining only 3 or 4 kilograms. This is real mismanagement and irresponsibility. Is it really impossible to organize leasehold collectives on the basis of hothouse farms and make them operate efficiently and at a profit?

Many hothouses have been built with gross violations of the design plans or totally "by eye," and there are reports of hothouses without the essential technological equipment and without utilities. But the situation notwithstanding, the State Agro-Industrial Committee deputy chairmen comrades S.G. Khorev and T.N. Nabiev think that the question of improving the use of and reconstruction of hothouses and the introduction there of leading experience do not affect them. I think that it is essential before the onset of the cold weather to inspect all hothouse farms in the republic, close off all channels for embezzlement and theft, and bring every square

meter of ground onto the accounts. All hothouses without exception must be handed over to families and brigades and contracts concluded, and we must insure that each square meter of hothouse space, regardless of whether it is located in Tashkent or in Shumanae, provides 20 kilograms of cucumbers, tomatoes and other produce.

**The development of very early potato growing and vegetable growing under plastic sheeting is a major unutilized reserve.** Experience gained in private subsidiary farms in Tashkent, Samarkand, Andizhan and other oblasts, and also ideas expressed by specialists and leaders indicate that real opportunities exist each year for growing an excellent harvest of potatoes and cabbage under plastic sheeting before 10 May, and for tomatoes before June.

In the cotton complex alone this kind of growing could occupy 200,000 to 300,000 hectares of irrigated land. After the harvest has been gathered in from this land, in some oblasts it is possible to sow cotton, and on all other farms, corn for grain and silage and other fodder crops. This kind of organization of production will also promote improvement in land use and enhance the material interest of rural workers.

Very rough calculations show, comrades, that the kolkhozes and sovkhozes in the republic can additionally obtain up to 1.5 million tons of potatoes under sheeting and as much very early tomatoes.

The central committee buro demands that the State Agro-Industrial Committee chairman, communist comrade Dzhurabekov and his first deputies comrades Antonov and Umarov take urgent steps to make a significant advance in sowings under sheeting during the next agricultural year. It is unforgivable to let slip this kind of reserve for increasing the production of foodstuffs under the conditions of our republic.

In concluding this analysis of the state of affairs in vegetable growing, it is essential to emphasize that we do have every opportunity for a sharp upturn in this sector. Vegetable yields should be brought up to 250 quintals for the republic. I have already told you that some of our farms are already obtaining 500 to 600 quintals of melons per hectare. And this means that realistically, by 1995 we can bring the total volume up to 4 million tons of vegetables and 1.2 million tons of melons. This will make it possible to make deliveries to all-union stocks and insure republic consumption of the norm of 142 kilograms, and provide the processing industry with constant raw materials.

**It is essential to restore the former glory of our horticulture and viticulture.**

First, it is necessary to bring the old sown areas into good order on irrigated land, in particular those established during the last 10 years. Here it is essential first and

foremost to eliminate sparseness, which has reached more than 30 percent and sometimes up to 50 percent, raise grape vines on espaliers, and interest producers in work results.

During visits to some of the farms in Fergana Oblast the sparseness of our orchards was obvious. And in some of the Ministry of the Forestry Industry farms the position is even worse: sparseness is up to 70 percent. Meanwhile the ministry leaders are not dealing with this matter and a major reserve is not being brought into play. There are therefore virtually no walnuts, almonds, pistachios or dried apricots available in the trade network.

Of course, both last year and this the oblast committees and rayon committees and the ispolkoms have done much work to plant orchards, but now they must be really well cared for. And old orchards must be brought into good order. It pains us to say that over the years of the "rule of Rashidov" 100,000 hectares of orchards and vineyards perished, were plowed up for cotton, and are now producing miserable harvests. The orchards that previously were cultivated for years must be immediately restored.

Second, it is essential to use land in piedmont and mountain areas in the republic for the planting of orchards and vineyards; up to 200,000 hectares could be brought under cultivation. In the long term, according to available studies at least 1.5 million to 2 million tons of fruit and grapes can be obtained in those zones. This can be done with the least expense in Yangikurganskiy, Kasansayskiy, Kugrantepinskiy, Khodzhaabadskiy, Bostanlykskiy, Akhangaranskiy, Parkentskiy, Altynsayskiy, Kitabskiy and a number of other regions in the republic.

The development of fruit growing and viticulture will provide an opportunity for significant increases in the production of fruit and grapes, and an additional 200,000 to 300,000 of the ablebodied population can be employed in rural localities. That is, this is not only an economic but also an important social, and first and foremost a political, task.

**With its specialization, high population growth rates, limited land and water resources and lack of natural pastureland, our republic is experiencing serious difficulties in rapidly building up the production of meat and dairy products.**

Nevertheless, the experience of leading farms and studies by the scientific establishments and Gosplan show that given the correct use of available potential and the activation of all opportunities and reserves, and if the appropriate structural changes are made in the development of livestock farming, we are able to increase the production of meat significantly and meet in full our own requirements for fresh milk and dairy products. In this connection it is essential to do everything possible during the next five-year plan to increase per capita meat

## AGRICULTURE

consumption to 40 to 45 kilograms and milk consumption to 250 kilograms. The Uzbek Communist Party Central Committee is setting this task for all communists and workers in the republic; there is no other way.

But the fact is that, as Mikhail Sergeyevich Gorbachev said at the CPSU Central Committee plenum, in order for a cow to be milked it must be fed, and in order to move things forward we must at a minimum work more. But this year more than one-third of kolkhozes and sovkhozes have not fulfilled plans for cattle and poultry procurement, there is a shortfall of 38,000 tons of meat, and 21 percent of farms have failed to cope with the plan for milk procurement while one in four has failed to meet targets for egg procurement.

One of the main reasons for delay in the intensification of livestock farming is underestimation of the importance of developing the fodder base. In most farms fodder production is still not regarded as a specialized sector operating on cost accounting, contract and leasehold. For the republic as a whole, this year there has been a shortfall of 52,000 hectares sown to fodder crops against what was planned, and of these, 40,000 hectares are located in the Kara-Kalpak ASSR and Tashkent and Kashka-Darya oblasts. And in those areas cotton is being grown on areas larger than those planned.

I would like to ask the following of the leaders of the soviet organs in these oblasts, first and foremost comrades D.S. Yadgarov, P.M. Abdurakhmanov and A.G. Kadin, and also the party committees: given this kind of attitude toward fodder crops, can we count on a sharp upsurge in livestock farming or on high milk yields?

Fodder procurement is now in full swing. However, many are working in a slipshod manner, as they say. And although from the status today it seems that the procurement plan is being fulfilled and we have reached last year's level, this is no justification for complacency. Last year's level can in no way be considered a yardstick for our republic; it was a low level and we must strive for better. In some oblasts procurement is going badly, in particular on farms in Andizhan, Navoi, Syr-Darya and Khorezm oblasts. But if one looks at things, virtually every oblast has very rich experience in growing sugar beet, corn, soybean, grain and alfalfa for fodder. When was it that 730,000 hectares of land in the republic were sown to alfalfa? With the correct approach it is possible to sow about 200,000 hectares to corn, soybean and other crops.

During our recent trips about the republic we have been convinced for ourselves of the high effectiveness of linked sowing, where 8 rows of soybean are sown after every 32 rows of corn. When this is done both crops develop beautifully. One brigade that has been engaged on a contract basis plans to obtain 90 quintals of corn per hectare instead of the 45 quintals specified, and 40 quintals of soybeans against 25. Why is this experience not being copied?

Now, comrades, permit me to deal with the main factors in the organization of production in livestock farming itself. Over these past years the numbers of animals in the public sector have remained virtually unchanged, while the numbers of sheep are actually declining. Great variation is seen in livestock density. Whereas in Tashkent, Fergana, Khorezm, Andizhan and Namangan oblasts the figure is 13 to 17 cows per 100 hectares, in Syr-Darya and Kashka-Darya oblasts it is 6 or 7. But all farms in the irrigated zone should have at least 20 cows per 100 hectares of pastureland. And we are able to do this.

The difference in the level of meat and milk production according to rayons and farms has reached a factor of 10. On farms in Shumanayskiy, Leninabadskiy, Chirak-chinskiy and Mekhnatabadskiy rayons only 5 to 11 quintals of meat are being produced per 100 hectares of pasture. At the kolkhoz imeni Kalinin in Kaganskiy rayon there are only two cows per 100 hectares, and only 71 quintals of milk are being produced. The chairman of this kolkhoz, comrade Dzhubarov, has been working there for 4 years and in all that time neither the party raykom nor the agro-industrial organs have ever really inquired about this irresponsible leader. Why are such attitudes permitted?

Last year in the autonomous republic and a number of oblasts, in particular Navoi, Kashka-Darya and Dzhizak oblasts, some of the cows did not have offspring and the farms had a shortfall of at least one-third in the production of meat and milk. We talk a great deal about barren cows but neither the State Agro-Industrial Committee nor the farms are taking the necessary steps in this direction. But maintaining just one barren cow for a year costs the farm R600 to R700 and output prime costs rise. We cannot just talk about this forever.

I think that the State Agro-Industrial Committee is also pursuing an incorrect policy in pedigree work. Each year some 30,000 to 35,000 young pedigree animals are imported in the republic at a cost of more than R50 million. This is enormous sum, comrades. Each year R50 million. At this rate, renewal all the herds at the kolkhozes and sovkhozes should have been completed long ago. The cost of purchasing the cattle is not justified but the State Agro-Industrial Committee organs and leaders and specialists in the rayons and at the kolkhozes and sovkhozes continue with a stubbornness that could be put to better use to import animals from other parts of the country while work to create their own pedigree base is poorly organized.

It would probably be correct to say that in this matter we are seeing the discredited style of work of the deputy chairman of the State Agro-Industrial Committee communist comrade Kh. Iskanov. He must draw the most serious conclusions from the discussion of this question at this plenum.

There are now many farms in the country that have obtained hundreds of highly productive cows from the method of embryo transplant, but in the past 8 years, even in their own departmental farm the VASKhNIL Central Asian branch and its chairman comrade Sh.A. Akmalkhanov have managed to produce only 4 calves using this method. Moreover, essentially nothing is being done to expand specialized farms in mountain and piedmont zones in the republic breeding Santa Gertrudis stock, or those in the Kara-Kalpak ASSR breeding the Kazakh Whitehead and other beef cattle.

Today, the Uzptitseprom Enterprise is operating well below its capacity. Only two-thirds of the capacities of the broiler batteries are being utilized. The process of renewing production facilities is being seriously delayed. Poultry productiveness is low and major losses of the birds are being permitted. And as a result, per capita consumption of eggs and poultry meat here is one of the lowest in the country.

Serious complaints have been made repeatedly against the chairman of Uzptitseprom comrade B.A. Piskunov, who is inclined to exaggerate the results of his own activity and is failing to take steps to correct the situation. A sense of collegiality is lacking in the management of poultry farming and bureaucratic rule flourishes. In his activity comrade B.A. Piskunov does not rely on the primary party organizations, often ignores the recommendations of communists and permits serious miscalculations in the selection of leading cadres. But Uzptitseprom's tasks are very great and we have told comrade Piskunov this in the central committee buro. In 1995 egg production must be increased to 1.9 billion and poultry meat to 145,000 to 150,000 tons, that is, it must be increased by a factor of 1.7 compared with 1987. This is a quite realistic target and comrade Piskunov and the leaders of the State Agro-Industrial Committee must reach it.

Many unresolved problems have built up on sheep farming, which is now annually producing 60,000 tons of meat (live weight) and up to 2 million karakul astrakhans and a great deal of wool.

Many of those here present at the plenum obviously remember that at one time the republic used to produce brynya but now this is forgotten. The fodder base is shrinking and the productiveness of pasture is declining; work to improve it is poor.

In the opinion of specialist in order to achieve an upsurge in sheep farming it is essential first and foremost to increase the fodder productiveness of pasture and the numbers of animals must be brought into line with the fodder base, which will make it possible to organize pastureland rotation and conduct regular work in plant improvement. However, a resolution adopted by the republic government in 1987 on this issue is not being complied with at all.

And again, in this connection it is necessary to talk about the style of work of comrade Kh. Iskanov. He is present at the plenum and I think that he will draw the appropriate conclusions.

We must sharply increase exactingness toward leaders and specialists in livestock farming for each particular sector and link their wages with final results and pay only for output rather than post occupied. This can be guaranteed only when the entire sector has switched to cost accounting and family and leasehold contracts.

In the days before the plenum we were able to talk with many leaseholders and leaders of brigade, link and collective contracts. They are doing many interesting things. They are fattening from 100 to 600 hogs and achieving good weight gains, and we are convinced that it is possible to work in the new way everywhere and introduce advanced forms for the organization of labor.

Another very important sector is karakul farming. I think that the State Agro-Industrial Committee and the Central Asian branch of VASKhNIL must deal more attentively with proposals to improve the management of karakul farms and further develop them.

In order to produce food crops it is essential to make more complete use of the possibilities of **private subsidiary farms at industrial enterprises and organizations**. We have repeatedly reviewed these matters in the central committee and government. Now things are somehow starting to move. Plots of land, equipment and water are being allocated. We have positive examples. For example, private subsidiary farming at the Uchkurganskay Oil Extraction Plant in Namangan Oblast (director comrade Umarov, secretary comrade Kh. Nabidzhanov) has produced 60 kilograms of meat and 92 kilograms of milk per worker, while in Kungrad (comrade A.M. Sergeyev and comrade D. Iskanderov) 136 kilograms of meat and 102 kilograms of milk were sold during the first half of the year per worker. At the same time in almost all oblasts they are not dealing effectively with this problem. As a rule the private subsidiary farms that have been established are being used poorly and quite often only 3 or 4 kilograms of meat and 5 or 6 liters of milk are being produced per worker. Why is this allowed? We are already allocating reasonable irrigated land and equipment but what if the leaders of economic facilities are incapable of organizing matters? It is simply that the attitude here is irresponsible.

**Private subsidiary farms belonging to kolkhoz farmers and sovkhoz workers** constitute one of our major reserves. They account for almost half of livestock farming produce and more than 40 percent of fruit and vegetables. This is our great reserve and we must handle it much better.

In order to create maximum convenience for the public in marketing their extra produce the autonomous republic Council of Ministers, the oblispolkoms, the State

Agro-Industrial Committee and its organs at the local level, and Uzbekbryalsh (comrade Makhmudov) must during this five-year plan finally organize permanent, full-time mobile, and seasonal reception and procurement points at all populated points, along with an extensive network of stores for outward sales of industrial goods in great demand, and do everything necessary for private subsidiary farming. This can be organized everywhere. Two years ago in Nukus comrade K.S. Saldyk and I familiarized ourselves with the organization of this work and it yields good results. But why is this not being done in other places?

The role of horticultural and truck farming societies should be significantly enhanced in increasing the production of fruit, berries, grapes and vegetables. A broad road is open here and all prohibitions have been removed. Both the moral and the material incentives have been created. The republic government has earmarked almost 8,500 hectares of land to organize new horticultural and viticultural societies. However, their practical establishment is being delayed until 5,000 hectares are allocated. Why are things going so slowly? It is not simply intentions and recommendations. There is a CPSU Central Committee and USSR government decree on this matter that must be undeviatingly fulfilled.

There is another sector that was also seriously discussed before the plenum. In our republic with its land and water resources there is a wonderful opportunity for developing the fishing industry.

In many oblasts, however, the productiveness of lakes does not exceed 7 to 15 quintals per hectare, and these are very low indicators.

The leader in this sector, comrade Kh.G. Ten, is displaying complacency and smugness. Six weeks ago we talked with him in the central committee and he said his indicators are double those of neighboring republics. First, this is not quite so, and even if it were how can anyone be satisfied with it? Here there are still many unnecessary and inaccurate opinions that the local population does not want to use fish. Absurd; there is no other way to describe this.

We can no longer reconcile ourselves, comrade Ten, to this kind of situation in the sector. In 1987 the Uzbek SSR Council of Ministers specially considered questions concerning the development of the fishing industry and improvements in the organization of trade with fish and fish products, but things have not moved further. It is high time to deal strictly with those to blame for the way in which this matter has been organized.

I think that there is no need today to talk about the place and role of the collective contract in agricultural production. I have no doubt at all that you are all well aware of the party instructions on this. But let me say candidly that within the republic open sabotage has been seen in

this matter in some places. On this plane a letter to the central committee from a simple peasant from the "Buston" sovkhoz in Parkentskiy rayon, comrade Radzhamatov, is of interest. Talking about the creation of cooperatives and the transfer of land under leasehold arrangements, he specifically names the enemies of perestroika and sees them in the farm and brigade leaders and specialists. He proposes the creating at the farm a council made up of simple authoritative people and giving it the right to determine who gets how much land and who can be trusted with a leasehold. The council members should monitor things and systematically inform the inhabitants about the work of the leaseholders. This letter is not the only one. These letters reflect the reality and they appeal to the party committees for action. The work is not simple and a creative approach is needed, but an approach that is decisive since it drives success in the matter. Today is not the time for a seminar, but I would like to say that we do have certain practical experience where in cotton growing and fodder production brigade leasehold collectives are formed to handle areas of 100 to 150 hectares or more to grow cotton and alfalfa and this does not work against crop rotation and it does provide results. In vegetable growing, horticulture and viticulture, dairy and meat livestock farming and other sectors of the food complex the long-term leasehold and family contract should be developed.

Research conducted by the Central Asian Scientific Research Institute of Agricultural Economics has shown that the true reasons for the slow spread and low effectiveness of family and leasehold forms for the organization of production is the allocation of the worst land, lack of prompt delivery of resources for leasehold subdivisions, violation of contractual obligations for wages, and recruiting of leaseholders for work in other subdivisions of kolkhozes and sovkhozes. This is also taking place.

When introducing contracts and leaseholds, the State Agro-Industrial Committee and the party and soviet organs must therefore pay particular attention to devising correct economic relations between the contract subdivisions and the farms, and to defining wages. It is very important that economic levers be simple and understood by all kolkhoz farmers and workers so that they have a clear-cut idea of the dependence of their wages on final work results.

Together with large-scale measures to further develop agricultural production, the most important source for augmenting food resources is rational utilization of produce grown and its storage and processing. It must be stated candidly that we have done almost nothing about these problems. We have only just started to build storage facilities, produce processing shops and so forth.

Today, the production capacities of this sector make it possible to process up to 1.5 million tons of fruit and vegetable products and grapes, more than 1 million tons

of milk and more than 500,000 tons of livestock and poultry (live weight), and produce about 200,000 tons of canned goods and 550,000 tons of vegetable oils. Considerable capacities have also been created for the production of flour, groats, pasta products and concentrated fodders.

Within the republic nature itself has created favorable conditions for growing and processing agricultural output for more than 200 days of the year, or 25 to 30 percent more than in other parts of the country. And for particular kinds of vegetables it is possible to obtain two or three harvests in that time. Meanwhile, it so happens that for a long time this advantage was not used and the most important sector of the national economic complex is today lagging in its development. Demands made on the processing industry for fruit and vegetables are today being only 60 percent satisfied, and for crops such as cucumbers, egg plant, peppers, scallop squash and other green vegetables only 5 or 6 percent of demand is being met.

At the same time, it must be frankly admitted that efficiency in the use of the processing industry, in particular in terms of the choice and quality of output produced, is no way meets present-day requirements and the growing demands of the workers. Take, for example, the **canning industry**. It specializes mainly in processing tomatoes (almost 60 percent), and produces mainly tomato paste in large packages. More than one-third of capacities in this industry are used to make grape products made mainly from grape juice. Canned goods of products in their natural forms, jams, preserves, and compotes enjoy broad consumer demand, while annual production is only 1.5 cans per capita. Things are particularly unsatisfactory with items produced for children.

Mismanagement in this matter has reached a point where neither the State Agro-Industrial Committee nor the consumer cooperatives nor state trade deals with the pickling of cabbage, tomatoes, cucumbers and water melons; it is a secret from no one that at the first frosts the harvesting of vegetables is halted. And the vegetables are plowed in and at the bases in the trade network the lost commercial products are written off in great quantities or in a best case scenario are used as livestock fodder.

It should also be emphasized that the development of the canning industry is proceeding in a one-sided fashion. Serious disproportions remain between capacities in the main production facilities and the preparation base. Overall, pre-production work on semifinished products is no higher than 15 to 20 percent of consumer demand in the republic. In practice this means that if this miscalculation on the part of canning industry workers were eliminated in available processing capacities, production of canned goods could be increased by a factor of 1.5, the seasonal nature of work could be spread evenly, and workers in the sector would have an opportunity to

earn a steady wage year round. But the main thing is that we would avoid the colossal losses from output that perishes at the gates of the processing plants in the summer at the peak of the season while it is waiting to be processed.

Another minor issue affecting this industry. Taking into account the structure and thrust in development of the republic's agro-industrial complex we must seriously review the principles used to locate canning plants and decisively abandon the construction of gigantic enterprises. On this plane the experience of Andizhan and Khorezm oblasts deserves to be disseminated. Today after the plenum we shall consider a number of enterprises in Tashkent oblast, where they have moved boldly to create mini-plants that can process the harvest right there at the farms.

Why cannot small lines be set up at each farm? Of course, production of the equipment needed for this must be set up right here in the republic. The enormous capacities of the agricultural machine-building industry must be used precisely for this.

The **sectors of the food industry** have an enormous role to play. Today there is a particular shortage of products such as vegetable salad oil and mayonnaise, and about half of the margarine used is imported from other parts of the country. For example, salad oil enjoys considerable demand among consumers and its technology is not all that complicated. However, its proportion has for 10 years been only 10 percent of demand. And during that time no one has tried to solve this simple problem.

For more than 20 years the problem of increasing margarine output has remained unresolved. Or a product such as mayonnaise. Its per capita production in the republic is ten times less than for the entire country. And it is sold virtually only in Tashkent city. And this under conditions in which we have adequate raw materials. The State Agro-Industrial Committee proposal that by 1995 output be doubled, bringing consumption up to 250 grams, does not seem serious.

The republic has repeatedly and justifiably been criticized for the fact that confectioner's items are imported here, and in great quantities. I think that the leaders of the State Agro-Industrial Committee, the Ministry of Grain Products, Uzbekbryalsh, the Ministry of Local Industry, the Ministry of Trade and the Council of Ministers must deal with these problems. For we are producing only about 300 kinds of confectioner's items while the figure for the country is a minimum of 1,000. Let us state it candidly: in this matter, apart from the program that has been drawn up, we have nothing: there is no real consumption, no organizational work, no exactingness toward lower organizations. I think that comrade Kasymkhodzhayev personally and also the leaders of the Institute of the Food Industry (director comrade Solomov) should draw the appropriate conclusions from this.

In a whole series of cities and rayon centers people's desire for a glass of carbonated mineral water or fruit juice drinks or kvass is becoming a year-round problem that is difficult to resolve. And this is not happenstance. Five oblasts do not produce cold beverages at all. The republic is almost last in the country in terms of per capita consumption. Enterprises of the Uzbek SSR State Agro-Industrial Committee alone have had a shortfall of 3.8 million decaliters of nonalcoholic beverages and 16 million bottles of mineral water for the targets of the first 2 years of the five-year plan. According to the accounts there are 41 brands of nonalcoholic beverages but the stores are carrying only two or three kinds of beverages, and in the summer there are almost none. Production of bottles is very inadequate. Who, one may ask, is hampering resolution of this problem? Production volumes can be met merely by bottling beverages and water in a second and third shift. However, each year up to 500 tons of concentrated fruit juices and liqueurs are imported into the republic, which is 85 percent of enterprise consumption. Meanwhile, the State Agro-Industrial Committee has all the facilities for producing them locally, and in not bad quality.

One of the most acute and painful questions remains processing of meat and dairy products. The problem lies not only in constantly building up the volumes of republic domestic production but also in organizing better processing of these products. The existing procedure for acceptance, transport and processing of livestock farming produce does not insure complete safekeeping or efficient use. Only one-fourth of farms are delivering milk for processing in cooled containers; most of the available cooling equipment is out of order. During the first half of this year more than 20 percent of the milk received from farms in Navoi, Samarkand and Tashkent oblasts was of substandard quality. At dairies in Nukus, Almalyk and Bukhara spoilage is as high as 50 to 60 percent of certified output because of violations of production technology.

Bringing proper order to enterprises in the meat and dairy industry, dealing decisively with losses and theft, and the extensive introduction of resource-saving technologies and scientifically sound norms for output should become the decisive factors in increasing meat and dairy products. Over the next two or three years it is essential—and every opportunity exists for this—to increase the output of low-fat and nonfat dairy products, meat products using second category sub-products and protein and other supplements, and use at least 80 percent of buttermilk and whey.

One major factor hampering resolution of this entire range of problems is the unsatisfactory state of affairs in developing the material base for the processing sectors. The two-year plan for the commissioning of capacities for processing livestock and cotton seed and the production of whole-milk products, groats and concentrated fodders has not been fulfilled. As both client and contractor in 1987 the Uzbek SSR State Agro-Industrial

Committee failed to build a slaughter house with refrigeration equipment in Beruni city, where of the R560,000 allocated by the plan not a single ruble was used. A plant for the production of cans for infant feed has been under construction for 4 years in Kattakurgan city (the contractor is the Uzbek SSR Ministry of Construction); it was to have been brought on line in 1987.

It is high time for the leaders of Uzagropromstroy and other construction ministries and departments and planning organizations to make radical changes in attitudes toward development of the food sectors and insure fulfillment of the CPSU Central Committee demands that projects in the agro-industrial complex should be regarded as a most important construction site. Without this we shall never resolve the Food Program.

We must also deal with the fact that extremely poor use is being made of the opportunities available to the consumer cooperatives in terms of the production of foodstuffs. The Uzbekbryalsh and its chairman comrade A.M. Makhmudov are operating listlessly and no kind of perestroyka can be seen, nor is it visible for the long term. I would like at this plenum today to express serious dissatisfaction with the work in this sector. Judge for yourselves: the per capita production of fruit and vegetables canned goods and nonalcoholic beverages here is less than half of that for Tsentrsoyuz overall. Many foodstuffs do not meet the requirements of state standards and are being rejected by trade organizations. Complaints about the quality of sausage products are particularly great. This year 100 percent of the products from sausage shops in the Navoi, Bostanlyk and Kuvinskiy rayon consumer societies was rejected during an inspection. We can no longer reconcile ourselves to this kind of attitude toward food supplies for the population.

The sugar problem has now also reached the republic. It is superfluous here to talk about the details; today it is more proper to entrust the Gosplan, Ministry of Trade, Uzbekbryalsh and comrades Iskanderov, Litvinenko and Makhmudov personally with the task of investigating this question and coming up with specific proposals so that we may provide an intelligible answer to the inhabitants of the republic and dispel any kind of false rumors.

The workers are making many justified complaints about the quality and choice of bread and bakery products, and reconstruction and technical remodeling of enterprises are proceeding only slowly. Shortcomings have not been eliminated in the marketing of bakery products. The ispolkoms of the local soviets, the republic Ministry of Grain Products and Uzbekbryalsh must accelerate the retooling of bakeries, insure greater choice of bakery items up to 15 to 20 different products, and everywhere introduce progressive methods for the transport of and trade in bread.

Comrades. In line with republic proposals, during the 13th Five-Year Plan it is planned to allocate 1.7 times more compared with the current five-year plan to

develop the processing sectors of the agro-industrial complex. Capacities will be built up mainly through reconstruction and modernization to produce 1.4 times more canned fruit and vegetables and meat and bakery products, 1.7 times more whole-milk products, and almost twice as many confectioner's items. It is planned to organize production facilities for pectin, frozen potato products and dry breakfast foods, all new for the republic. When this is done the location of the processing sectors will be mainly in the zone of the buildup in agricultural and livestock farming production. For the food industry overall it is planned to insure output growth of R1.8 billion against the R370 million expected during the current five-year plan. Thus, output volumes for foodstuffs for the industrial sectors of the agro-industrial complex will reach R6.9 billion, or a growth factor of more than 1.4.

Comrades. Life has repeatedly confirmed the rule that if the Soviet person is surrounded with everyday concern and normal working and everyday conditions are created for him, then there is no task whose resolution is beyond him. Therefore, successful realization of the Food Program requires from party, soviet and economic organs immediate resolution of the very complex set of questions connected with the social restructuring of the countryside and radical improvement in everyday and trade services for its workers.

Many agro-industrial committees, ispolkoms of local soviets and kolkhozes and sovkhozes leaders are failing to understand the political essence of this very acute social problem, while party committees are tolerant toward it.

The CPSU Central Committee Secretariat recently reviewed, along with other republics, the accountability report of comrade G.Kh. Kadyrov on lack of discipline among leaders who are communists in complying with party instructions on the priority position of construction of agro-industrial complex projects. The very postulation of the question and the accountability report from the chairman of the republic Council of Ministers to the CPSU Central Committee were designed to insure adoption of specific measures to strengthen construction in the countryside and resolve complex social problems as quickly as possible.

We must all change our attitudes radically toward rural construction sites and find additional opportunities for improving cultural, trade, everyday and medical services for the rural population. To this end it is essential to be more active in using the assets of kolkhozes and sovkhozes and workers' personal savings, and develop cooperative construction and build projects using the economic method.

Party committees, the ispolkoms of the local soviets of people's deputies and the State Agro-Industrial Committee organs must take these matters under special control.

Trade and consumer services constitute an important direction in the social sphere. According to expert calculations, loss of time for the republic's population spent on shopping and obtaining services correspond to the annual losses of labor resources in industry. The proportion is unpleasant: millions are standing at lathes and machines while just as many stand in line. This fact alone is sufficient to declare a people's war against queues. But some trade leaders still think that it is precisely bustle and queues that demonstrate efficient work.

And sometimes the queues are not so much an indicator of some kind of shortage as they are the result of ill-considered and sometimes simply deliberate actions by certain sales managers.

Today, only 1 percent of the stores in the republic selling food operate in two shifts, and more than half of the stores close on Sunday and only particular units operate on a continuous work schedule throughout the week.

We must decisively normalize trade, and just as decisively build up agricultural products. The negatives have become too deeply rooted here. Take the interruptions in trade in items for which there is adequate choice; how can they be explained? Store No 33 of the Kirovskiy rayon food trading center in Tashkent was recently checked. There was no rice, butter or vegetable oil, dairy products, eggs, flour, salt, canned goods or Tashkent water. Even though in line with the minimums laid down for choice, these products should be available. I am now convinced that everything is available; let us finally through our joint efforts make an end to this irresponsibility.

One of the factors in unsatisfactory trade and the creation of queues is the lack of packaging materials. Industry and the subdivisions of the republic State Agro-Industrial Committee have remained aloof from resolution of this question and continue to trade in bulk. Little more than 30 percent of the total output volume of trade in foodstuffs is carried on with the production and delivery of foodstuffs in small containers and packages. For comparison let me say that in Belorussia, the Ukraine and a number of other republics the proportion of packaged goods produced is two or three times greater than here. At the same time the "Urtak" confectionery factory in Tashkent is producing no more than 10 to 15 percent of its output in packaged form while even a modest demand for this is 45 percent. The Tashmaslozhirkombinat is producing no more than 30 percent of its output in packaged form instead of the 80 percent planned. The Uzptitseeprom offers no packaged meat or eggs in boxes at all. Overall, the Uzbek SSR State Agro-Industrial Committee is offering only 15 percent of confectionery items in packaged form.

The problem of developing the material-technical base for trade deserves special discussion. At the CPSU Central Committee July (1988) Plenum the need was

stressed to decisively rid ourselves of the various kinds of offices and reduce their numbers and transfer premises to the trade and everyday enterprises. The funds allocated for these purposes should be assimilated fully and on schedule. However, the ispolkoms of the local soviets are allocating less than 2 percent for the development of trade instead of the 5 percent planned deductions from capital investments for housing construction. And in Navoi, Kashka-Darya, Surkhan-Darya, Dzhizak and Syr-Darya oblasts and the Kara-Kalpak ASSR they are allocating 10 to 15 times less than planned. Over the past 2 years, from one funding source alone state trade has experienced a shortfall of enterprises with a total of 2,500 locations and more than 75,000 square meters of trading area.

The discredited practice of taking premises from trade enterprises without offering other equal premises continues. And this is happening at a time when availability of trading areas in the republic is only 70 percent of the norm, while the figure is 50 percent for warehouse premises and only 41.7 percent for storage facilities.

**The continuing theft of socialist property in all the processing sectors and in trade is doing serious harm to the cause of fulfilling the Food Program.** According to figures from the Uzbek SSR Ministry of Internal Affairs in the first half of the year alone about 20,000 persons were arrested for petty theft; they had taken an enormous amount of output. In dealing with this, we must say, accelerating evil, we unfortunately do not see any decisive actions on the part of the people's control organs.

I would like to remind you that the Uzbek Communist Party Central Committee Buro has entrusted the first secretaries of the oblast party committees, the chairmen of the ispolkoms of the local soviets, and the first secretaries of party gorkoms and raykoms and party organizations with the task of enhancing the responsibility of economic leaders for the social reorientation of the economy, insuring a greater political role for the primary party organizations in this important matter without waiting for instructions from higher up, and every day finding and implementing nonstandard decisions to bring proper order to the consumer services sphere, starting with the as yet unutilized reserves.

Taking into account the importance, urgency and volumes of this work, control over has been entrusted to Uzbek Communist Party Central Committee second secretary comrade V.P. Anishchev, who must organize a thorough investigation of the matter with the appropriate leaders and the subdivisions that they head.

Comrades. In life, it is specific people who implement policy. The course of realization of party policy and restructuring of the economic mechanism depends largely on their selection, training and indoctrination. But I shall be telling no great secret if I say that many national economic specialists and leaders of kolkhozes

and sovkhozes and enterprises in the services and processing spheres have still not mastered the new approaches and still think in the old way.

The problems of indoctrinating politically active, ideologically mature and professionally competent superintendents must be resolved at the student's desk and by actively involving the party organizations and the scientific intelligentsia in it. Here in the republic we train personnel for the agro-industrial complex in four higher schools and 46 secondary training establishments, and each year about 5,000 specialists graduate.

However, the quantity has nothing to do with the quality, and the level of training for most graduates does not stand up to any kind of criticism. The number of specialists aged under 20 with higher and secondary specialized education employed in agriculture in the republic is more than four times higher. There are now about 150,000 of them. Nevertheless, no noticeable qualitative renewal has been seen in the agricultural sector. For example, the number of engineers in agriculture has doubled since 1980 to 15,000, while the level of mechanization in cotton growing has remained at the same level. Taking into account the rayon wing, each farm has 40 or 50 specialists but most questions concerning agricultural techniques, zootechnics, and engineering and economic questions are being resolved using the methods that their grandfathers employed.

This is happening because sometimes the teachers teaching the students have only a book knowledge of agriculture. Parallelism and duplication in the work of the VUZes, and in particular the tekhnikums, is leading to dissipation of already meager efforts and means. For some professions, twice as many specialists are being trained than are needed by agriculture.

We expect greater activity from the numerous detachment of scientists engaged in agricultural problems. Up to now, however, they are not justifying our hopes. Although, of course, if we give them the opportunity they will cite for us many impressive figures and millions of developments assimilated on the scientific cornfield. But you will agree, comrades, that the best judge of this is the real state of affairs in field and farm, in the cotton gin and so forth, and here, unfortunately, for years, for decades nothing has changed, and indeed positions are being yielded up in some things.

Comrades. The fate of the Food Program and of all perestroyka depends to a decisive degree on the positions of the party committees and organizations. As M.S. Gorbachev noted in his report to the 19th All-Union Party Conference, without the guiding activity of the party perestroyka will be doomed politically, ideologically and organizationally. In practice this means that on any sector of the building of socialism the role of the party organizations should be decisive and vanguard in fact, and it is obvious and essential that no doubts remain on that score.

Let us be candid. We have still been failing in the degree of influence exercised by the primary party organizations on solutions to urgent social tasks. Even the spark of activity born out of the discussion of the conference theses, when many specific and interesting proposals and wishes were forthcoming, did not lead to the expected growth in combativeness and activeness in the lower links of the party at the stage of practical realization of the tasks set by the conference.

Let us look at the record of party meetings. As before, the faded agendas and "standard duty" questions on work results for the quarter, half-year, year, watered down to no one knows what, and no decisions binding upon anyone. Many of the lower links are working while looking all the time over their shoulders at higher organs, waiting for instructions from above on everything. And even most of the party obkoms, gorkoms and raykoms are not showing themselves as examples of radical restructuring in the style and methods of work for the primary party organizations, or in mastering fundamentally new forms for organizational and political activity.

Take, for example, the Bukhara party obkom. Measures circulated by it throughout the oblast on the subject of preparations for an oblast party conference were literally copied from old schemes, and it is unjustifiably regulating the very smallest stages of the preparations while neglecting the main thing, namely, broad participation in this work by the elected aktiv and the delegates to the 19th All-Union Party Conference, and democratization of elections for leading party organs.

Today increasing importance attaches to measures such as strengthening party influence in key directions of perestroika such as the regrouping of party forces and concentrating the most experienced and authoritative communists on the decisive sectors. From these positions, how does the work of the party organizations in the republic look?

In Tashkent oblast almost 70 percent of subdivisions in the oblast agro-industrial complex have been switched to collective contract in arable and livestock farming; one brigade in 4 and one farm in 15 have introduced a check form for expenditure accounts. However, perestroika in the economic mechanism is still not being accompanied by corresponding changes in the party structure aimed at increasing the influence of the party organizations. At half of the livestock farms there are no shop party organizations or party groups, and at one in eight there is not a single communist. To make up for this, in the management apparatus of the oblast agro-industrial complex the party representation exceeds 50 percent. As they say, comment is superfluous.

We must decisively correct these disproportions. It must become the rule that those communists freed up as the result of perestroika in the management system who

have great experience and good professional skills are sent primarily to strengthen the lower party wings and the primary party organizations.

This is the more essential since the secretary of the party organization in the countryside is often a weak-willed person whose opinion no one knows. Particular alarm is evoked by the fact that the rayon party committees are also often involved in the indoctrination of the pleiads of "pocket secretaries." They sometimes prefer to "groom" the bold, nonstandard party committee secretary and bring his actions within the framework of the sad stereotypes of servility.

A typical example. At the sovkhoz imeni Rokossovskiy in Arnasayskiy rayon a sharp conflict arose between the secretary of the party organization comrade U. Azlarov and the director comrade E. Boltayev, who was manifestly ignoring the party committee and its decisions and himself hired and fired personnel and did not consider it necessary to attend party meetings and gatherings. And—and this is the saddest part of it—in this situation the party raykom in the person of the now former first secretary Kh. Khudayberdyev supported not the party organization and its secretary but the high-handed manager. Moreover, the party raykom initiated a sophisticated persecution of the secretary of the party organization that almost culminated in his expulsion from the party. It was only the intervention of the Uzbek Communist Party Central Committee that put an end to this ugly story.

The party obkoms, gorkoms and raykoms each through its actions must strengthen the authority of the primary party organizations and their leaders. During the course of the accountability reports and elections it is not the "pro forma" leaders but the real leaders who have advanced perestroika and supported their own labor collective and party organization who must lead the primary party organizations.

Another no less important question is enhancing the role of the party organizations in the selection and placement of economic personnel.

Some 41,000 practical people with no credentials are working in the posts of specialists in the kolkhozes and sovkhozes and interfarm enterprises in the republic, and they also make up more than half of middle-level managers. At the same time, tens of thousands of specialists with diplomas, on whose training enormous sums have been spent, are working in posts that do not require a higher or secondary education. And they are often jaded by fate and unfulfilled dreams.

In our view this situation persists primarily because the party organizations have still not faced questions of the rational utilization of specialists, and in turn this has created fertile soil for the relapses that still occur in the

placement of personnel at farm level according to attributes of personal loyalty and kinship, when the business qualities and level of professional training give way to clan affiliation.

Each of us must understand that until we purge ourselves of all this dross we shall not rid ourselves of ingrained methods for selecting and placing economic personnel and specialists and we cannot count on any serious and palpable results in perestroyka.

Harvests and technology are in the hands of the specialists and managers. They are responsible for them and we should demand this of them. But the individual and his attitude and spiritual world are the prerogative of the party organizations. Hence your task and mine—to create and develop a mechanism that insures a positive party influence on the entire set of "operator-perestroyka and perestroyka-operator" interrelationships.

But for this we must first and foremost turn to people and their needs and wants, and rid ourselves decisively of any desire to serve our time in an office but must radically restructure all party political work.

As we consider the problems of the Food Program today we cannot but notice that the serious blunders and shortcomings that are still occurring in implementation of that program can be largely explained by the unsuitable work style of the central apparatus of the republic State Agro-Industrial Committee and its leaders. Here, as before the command-administrative method flourishes in the management of agricultural production and the paper shuffling and speechifying continue. In 1987 some 5.5 times more accountability reports and information materials were demanded from the lower subdivisions than during the preceding year. The flood of paperwork continues to grow and in the first quarter of this year alone more than 4,000 documents were passed "downward." At the same time it has become clear during the course of an inspection that more than 500 resolutions and more than 2,500 orders promulgated during the time when the agro-industrial complex was being created are being monitored by no one, and many of them no longer have any practical significance.

Here, in addition to the planned meetings of collegiums, the so-called "small collegiums" and chairmen's meetings are convened 12 to 15 times each month. But the simplest questions remain unresolved for years. Thus, 3 years ago in Tashkent a branch of the Moscow Institute of the Canning Industry made up of 50 people was set up, but no premises could be found for them. Evidently the officials from the rural economy are reluctant to make room for them.

The State Agro-Industrial Committee party organization and its secretary comrade Yu. Akmalov are failing to exert any proper influence on the work of the communists. The resolutions do not even contain allusions to any principled evaluation of those to blame for the failures in particular sectors.

Central committee buro candidate member and chairman of the State Agro-Industrial Committee comrade I.Kh. Dzhurabekov must draw his conclusions from what has been said.

Comrades. The entire analysis given in the report of the reasons for the slow resolution of problems in the Food Program directly indicates that the Uzbek Communist Party Central Committee Buro and its secretaries are still not relying enough on the central committee members and are showing little exactingness toward the party apparatus and to cadres in general in solving urgent problems.

The Organizational Party Work Department headed by comrade P.V. Dogonkim must show greater persistence and inventiveness in the search for ways to transform each party organization into a real leader of the masses in the struggle for perestroyka. This process is still moving only slowly.

Responsibility for this must also rest with our ideological subdivisions headed by central committee secretary comrade M.Kh. Khalmukhamedov; ideological support still remains mainly a slogan or phrase while in fact the party organizations, particularly in critical situations, turn out to be surprisingly impotent and powerless. It is essential to make adequate time for the forms and methods of offensive, precisely offensive, propaganda of the ideas of perestroyka that is capable of providing a well-reasoned rebuff to any demagogues and "home-spun philosophers" and of bringing the masses with it.

We in the central committee buro feel that we must be more active in seeking out and more bold in introducing up-to-date and understandable forms of work that are interesting for the masses. For example, for the first time the central committee leaders have appeared on television—a direct line. The people approved of this and valued it. Now we must follow up on this.

The time has come for the republic Council of Ministers and the members of its presidium to assume full and serious responsibility for solving questions concerning economic and social development. Delineation of functions is a two-sided movement. The party organizations must not relax their efforts where the soviet and economic organs are not building them up.

In conclusion I would like to emphasize with a proper sense of responsibility that supplying the public with foodstuffs and solving social problems is the line of transforming party slogans into practical deeds from which Soviet people can judge the real achievements of perestroyka. Resolution of these questions will be a real test of maturity and the ability to effect perestroyka not in words but in deeds for every communist and every party organization and committee, a test that the entire people will undergo.

This is why when evaluating any decision of the Soviet or economic organs, in particular in the sphere of the economy and social development, the party organ is obliged to pose one main question for itself: how does this relate to the tasks of perestroika at a given stage and is it working on this and does it promote, or on the contrary hamper, improvement in the living standard of the Soviet individual? It is our opinion that herein lies the profound essence of party leadership in the process of improving the national well-being. And no one will solve these questions for the party, only the party itself can do this. This is the point for the application of effort by the primary party organizations, the party raykom, gorkom and obkom, the central committee and all of us, dear comrades.

### Plenum Resolution

18300057a Tashkent *PRAVDA VOSTOKA* in Russian  
3 Sep 88 pp 1-2

[Unattributed report: "Resolution of the Uzbek Communist Party Central Committee 6th Plenum: On Urgent Tasks for the Party, Soviet and Economic Organs in the Republic in Improving Food Supplies for the Population in Light of the Decisions of the 19th All-Union Party Conference."]

[Text] 1. The Uzbek Communist Party Central Committee plenum notes that the 19th All-Union Party Conference has become a major event of enormous historical importance for the fate of the country. The conference adopted decisions whose realization will make it possible to accelerate significantly the processes of perestroika and radical economic reform and the democratization of Soviet society.

In the socioeconomic sphere a most important task has been set, namely, accelerating the resolution of urgent problems of the national well-being, first and foremost significant improvement in food supplies for the country. The party regards this as a fundamental socioeconomic issue.

At the 19th All-Union Party Conference and the CPSU Central Committee July (1988) Plenum the Uzbek SSR was criticized for stagnation phenomena and the low return from capital investments in agriculture. Per capita consumption of foodstuffs is not increasing and the increased volumes of agricultural output are meeting only the requirements of a growing population.

The main reason for the existing situation is the unsatisfactory use of natural and climatic conditions and the economic potential of the agro-industrial complex. Over the last 17 years some R36 billion of capital investments have been allocated for its development and fixed capital has risen by a factor of 5 but gross output has risen only 40 percent while the output-capital ratio has declined one-third.

The proper interest is not being seen at the cotton plantations in assimilating crop rotation, increasing yields from cotton plants and freeing up irrigated land for food crops. Development in the fruit and vegetables sector lags seriously behind the targets set for the Food Program. In recent years the number of specialized horticultural and viticultural farms has declined, and in most oblasts gross fruit and vegetables harvests have shrunk. Potato growing is in a deplorable state and only one-third of demand for this product is being met from our own output. Yields from fruit, grapes and vegetables remain low and the kolkhozes and sovkhozes are systematically failing to fulfill production and procurement plans in the proper range. In many oblasts volumes of stone fruits purchased have been almost halved and contracts for their deliveries to all-union and republic stocks are being violated. Only 50 percent of the potential of hothouse farms is being utilized. The problem of uninterrupted supplies of fruit and vegetables for the population of Tashkent city and other industrial centers remains acute.

Grain growing is being developed in an unstable manner and over the past 5 years plans for the production and supply of rice to the state have not been fulfilled. No effective steps are being taken to eliminate the very gross violations permitted in the past in the construction and operation of collection-and-drainage networks or to prepare land and improve its condition.

The central committee plenum emphasizes that the level of party leadership in the development of livestock farming is not on a par with the demands and tasks being set to satisfy public demand for foodstuffs. At many kolkhozes and sovkhozes opportunities are not being used to increase herds of cattle by making appropriate arable land available. Numbers of sheep and goats are declining. Pedigree and veterinary work is unsatisfactory and techniques for fattening and maintaining cattle and poultry are not being observed and many labor-intensive processes in livestock farming are not mechanized. No radical improvement has been achieved fodder production.

No palpable results have been felt in work in the fisheries sector. Capital investments allocated for its development are being underutilized. Production of commercial output is shrinking, questions of fish processing are being solved only slowly, and trade in these products is unsatisfactorily organized.

The plenum considers quite impermissible the underestimation in the republic of the role of private subsidiary farms at enterprises and organizations and citizens' private subsidiary farms and horticultural societies in improving supplies for the population. Measures devised to develop them are not being implemented by many ministries and departments or the ispolkoms of the local soviets.

The status of bases for the storage and processing of agricultural produce is a bottleneck and as a result considerable losses are occurring and quality is falling. Construction of a number of new enterprises and reconstruction of existing enterprises are being delayed. Questions of supplying the processing sectors with their own raw materials, and also equipment and packaging materials, are being resolved only slowly. Many enterprises are located far from raw materials zones and reception and processing of fruit and vegetables and other food-stuffs are not concentrated in production zones. Insufficient use is being made of reserves for improving supplies for the population through the production of low-fat and fat-free dairy products and meat products using protein and other supplements.

No significant shifts are taking place in improving consumer services and this sphere has become a brake in improving people's social well-being. The republic Ministry of Trade, Uzbeckbryalsh and the ispolkoms of the local soviets are not taking effective steps to eliminate the causes of queues to make purchases.

The plenum emphasizes that perestroika in the entire system of control and management is still proceeding extremely slowly in the agro-industrial complex. Introduction of the new economic mechanism is being unjustifiably slowed and the leaders of many party, soviet and economic organs have reconciled themselves to instances of formalism and stereotypes in the organization of contract forms of labor and providing incentive for them, and in the development of leaseholds and cooperatives in agricultural production and the processing sectors. The number of farms operating at a loss or with low profitability is declining only slowly. No work is being done to hand them over to leaseholders or cooperatives. Timidity and indecisiveness are being shown in creating agro-industrial combines, agro-trade firms and other formations that have given a good account of themselves and are based on the integration of production, processing and marketing of output. Considerable numbers of farm managers and middle-level managers and specialists have inadequate knowledge of economic management methods and are being poorly trained for work under the new conditions.

Party, soviet and economic organs are still underestimating the importance of social development in the countryside and improvements in the workers' everyday conditions and medical, cultural and trade services for them.

The plenum considers that the party committees and primary party organizations bear primary responsibility for the state of food supplies for the population. However, the decisions adopted in food questions are not being properly underpinned by organizational and political work. The party obkoms, gorkoms and raykoms are not showing high exactingness toward manager communists and are reconciling themselves to instances of irresponsibility and inertia; political leadership methods

are being mastered only slowly and bureaucratic rule and the command-pressure style of work has not been abandoned. The ispolkoms of the local soviets are not making full use of their right to coordinate the work of kolkhozes and sovkhozes and trade and procurement organizations, or the possibilities of private rural farms and citizens' private subsidiary farms, nor in seeking out additional food resources. The contribution being made by the Central Asian branch of VASKhNIL and other scientific institutions remains low.

2. Proceeding from the instructions of the 19th All-Union Party Conference and the CPSU Central Committee July (1988) Plenum, the Uzbek Communist Party Central Committee plenum makes it incumbent upon the central committee buro, the party obkoms, gorkoms and raykoms, the primary party organizations, communist leaders in the soviet and economic organs and public organizations to focus all their organizational and political work on resolving the food problem, regarding it as an urgent and most important task.

The Uzbek Communist Party Central Committee measures for 1989-1995 to improve food supplies for the population in the republic are in the main approved. The central committee buro is assigned the task over the next 2 to 3 months, giving due consideration to wishes expressed and criticisms voiced, of devising real measures, having agreed the main indicators for prospects in the development of agricultural production and the processing base with all oblast and republic agricultural organs and subdivisions and also the all-union Gosplan and State Agro-Industrial Committee.

Guaranteeing the harvesting and procurement of high yields grown this year and marked improvement in food supplies for the population should be considered a top priority task. By the end of the current five-year plan meat production should be increased 25 percent, milk production 17 percent, fruit and vegetables production by a factor of 1.5, and potatoes by a factor of 2, and the level of rational norms for the consumption of grain products, pasta items, vegetables and vegetable and animal fats must be reached. By 1995 production of foodstuffs must have been increased by a factor of 1.5 to 2.2 compared to 1987. Along with the increase in per capita consumption of food products, the republic's growing obligations for deliveries of fruit and vegetables and grapes to all-union stocks must be met.

3. While advancing this stepped-up and quite realistic task, the central committee plenum deems it necessary to direct the efforts of the party committees and primary party organizations, the Uzbek SSR Council of Ministers, the ispolkoms of the local soviets, the State Agro-Industrial Committee, the Central Asian branch of VASKhNIL and the Academy of Sciences, ministries and departments, economic organs at the local level, and trade union and Komsomol organizations to make more complete use of the production potential that has been

created, deepen scientific developments and their introduction, and accelerate development in the food sectors and trade sphere; and to consider significant improvement in food supplies supplies as a major sociopolitical matter.

To this end the following must be done:

—in 1990 to complete the assimilation of cotton-and-alfalfa crop rotations in crop growing, draw up scientifically sound farming systems for each kolkhoz and sovkhoz, and insure the extensive introduction of intensive technologies. By the end of the five-year plan gross grain harvests must be increased to 2 million tons, and by 1995 to 2.3 million tons through better yields.

There must be a radical change in attitude toward development in the fruit and vegetables sector and the production of commercial products should be concentrated in specialized farms. An economic mechanism must be devised that insures interest on the part of producers in growing fruit and vegetables in the required range and in accordance with contractual deliveries. For year-round supplies of fresh vegetables for the population the return from hothouse farms must be increased and by 1990 yields must have been raised to 20 kilograms per square meter, and by 1995 to 25 kilograms. In potato growing more attention must be paid to developing seed growing, production specialization and concentration and expanding growing under plastic sheeting;

—in livestock farming the most important task must be considered as increasing the highly productive breeding females, bringing the proportion of cows in herds to 35 percent by 1990 and achieving milk yields of at least 3,000 kilograms and average delivery weight increases of 450 kilograms for cattle. Steps must be taken to intensify sheep farming and each farm must have a sheep-raising sector with indoor premises for the animals. The transfer of hog-raising complexes to an industrial basis must be completed and the construction of new poultry batteries and the reconstruction of existing batteries must be accelerated. Urgent steps must be taken to create a stable fodder base and to bring areas sown to fodder crops up to 1.5 million hectares by 1995. Work rates in pasture restoration and renewal must be increased;

—the development of private subsidiary farms at enterprises and organizations and citizens' private subsidiary farms and horticultural and truck-farming societies must be promoted in every possible way as a major reserve for increasing food resources. Questions associated with the allocate of land for them, along with seed stock, young animals and essential tools, must be resolved promptly. The Uzbek SSR Council of Ministers and republic State Agro-Industrial Committee must strengthen control over realization of decisions adopted and measures drawn up on these matters.

4. The plenum emphasizes the special urgency of creating in the republic a developed base for the storage of agricultural produce and capacities for processing it so that everything grown in the fields and produced at the farms will be delivered to the consumer in the best possible condition. The republic Council of Ministers, Gosstroy and State Agro-Industrial Committee must implement exhaustive measures to deal with the lagging that has been permitted and allocate funds and resources first and foremost for the construction of storage facilities and the development of capacities in the confectionery, oil-and-fat, meat-processing, canning, bakery and other sectors. All machine-building plants and repair enterprises in the republic must be involved in the work to re-equip these sectors.

Special attention must be paid in particular to bringing processing bases closer to places where raw materials are being produced, and to creating enterprises and low-capacity mobile shops. Proper processing of raw materials and waste-free technologies must be organized everywhere.

In the near future the State Agro-Industrial Committee must devise a program to provide the processing sectors with all kinds of resources and by the end of the five-year plan to reduce imports from other parts of the country to a minimum. Serious attention must be paid to improving the quality of output produced and to expanding the range. It is essential to increase the output of low-fat and fat-free dairy products, canned dinners and snacks and diet items for children, and to extend the range of juices, cold beverages and ice-cream. Additional possibilities must be sought out and within the next two or three years the task of producing 50 percent of meat and meat products, 80 percent of milk and dairy products and 40 percent of confectionery items in prepackaged form must be completed. Mass production of qualitatively new kinds of packaging must be organized for foodstuffs.

5. Showing serious concern for the status of food supplies, the plenum believes that in solving this important sociopolitical question the role and responsibility of communists and all workers employed in the sphere of consumer trade services must be sharply enhanced. A decisive struggle must be waged to eliminate queues and instances of overcharging and cheating customers and the creation of artificial shortages and other negative phenomena, and the trade sphere must be purged of unconscientious and dishonest individuals.

The republic Ministry of Trade, Uzbekbryalsh and the State Agro-Industrial Committee together with the oblispolkoms must insure the development of the material-technical base for trade during the current five-year plan and bring it up to normativs. Permanent and mobile reception-and-purchase points for fruit and vegetables must be set at all populated points, along with an extensive network of stores for the iutward sale of

industrial goods and everything needed to manage private subsidiary farms. The number of trade and public catering enterprises operating on two and three shifts must be increased.

The practice of having markets for the sale of agricultural produce to the public must be extended, and the network of factory outlets must be expanded. Special attention must be paid to trade in fish and fish products and fishing areas must be restored and additionally created.

6. Taking into account to the instructions of the 19th All-Union Party Conference to the effect that the shortest road to improving food supplies lies in expanding the potential of kolkhozes and sovkhozes in every possible way by effecting radical economic reform, the central committee plenum makes it incumbent upon the party obkoms, gorkoms and raykoms and primary party organizations and recommends to the republic Council of Ministers and the local soviets of people's deputies, and the agro-industrial committees and associations, to pursue a consistent course toward introduction of contract and leasehold forms for organizing labor and production and the creation of an extensive network of cooperatives both within the framework of existing farms and in relations with other enterprises and economic sectors.

It is essential to strive for a situation in which the new management forms combined with material incentive for final results become the basis for a sharp buildup in the volumes of food. Proper conditions must be created to develop initiative and give rural workers the sense of being their own masters, along with all who express a desire to help through their labor in resolving the food problem.

Decisive steps must be taken to democratize management in the agro-industrial complex and to create agro-industrial combines, firms and other formations. Work must be activated to bring financial health to enterprises and organizations. More attention must be paid to the social restructuring of the countryside and improving working and living conditions for the workers at kolkhozes and sovkhozes, regarding this as a fundamental question of present-day agrarian policy.

7. The plenum entrusts the central committee buro, party obkoms, gorkoms and raykoms, and primary party organizations with the task of focusing all their activity on organizational and political support for the tasks put forward by the 19th All-Union Party Conference to improve food supplies for the population. Processes of perestroika, radical economic reform and the democratization of public life must be accelerated. Political methods of leadership must be persistently mastered, improving the style and methods of work, and the initiative and organization of communists must be improved for a further upsurge in the economy and development of the social and spiritual spheres. On the basis of expanded democracy and glasnost, all links must be strengthened with personnel with initiative who think in the new way and are devoted to the cause of perestroika, giving due consideration to the opinion of the labor collectives.

The upcoming accountability and election reports in the party organizations must be subjected to in-depth and comprehensive analysis of the course of fulfillment of the decisions of the 27th CPSU Congress and the efforts of communists must be concentrated on practical matters to solve the food problem; improvements in supplies to the population must become pivotal in the work in all party and public organizations and each labor collective.

## ELECTRIC POWER GENERATION

### Details of 1978 Fire at Beloyarsk AES Revealed 18220007 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 21 Oct 88 p 3

[Article by V. Kamenshchik, Sverdlovsk Oblast: "An Event Occurred That Anxious Night Which Was Kept Silent for 10 Years"; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] At one time, these things could not be spoken about. A curtain of secrecy covered things which it was a moral crime to conceal: accidents, extraordinary events, wreckage, and loss of life. Nothing of the kind had happened before. And this created complacency, slackness, and incompetence, which always result in new troubles. There was a prologue to Chernobyl—the accident and fire at the Beloyarsk Nuclear Power Station. Fortunately, there were no tragic consequences. But this was an alarm signal. And now that we can honestly and openly talk about everything, it is our duty to talk about the people whose courage, selflessness, and high level of professionalism prevented one of the great tragedies. V. Kamenshchik, police colonel, who wrote this article, was employed at that time as deputy chief of the Administration for Internal Affairs of the Sverdlovsk Oblast Ispolkom, and he himself took part in cleaning up after the accident at the Beloyarsk AES, for which he was awarded the "Badge of Honor" order.

During the night before New Year's Eve in 1978, I was awakened by a telephone call. I automatically looked at the time: 0215 hours. The duty officer in the administration reported:

"Comrade colonel, a fire at the Beloyarka. They have gone to No 2. I am sending a car for you."

They have gone to No 2—that meant increased hazard. And I rushed to the Beloyarka in about 20 minutes.

Even from a distance we noted that there was a pulsing glow on the rim of the pine forest where the buildings of the power station are located. And when the building of the machine room was lighted in the beams of the searchlights, we saw that in the center it was missing several 6-meter reinforced-concrete blocks.

...When they came to do their shift on 30 December neither the senior engineer-mechanic S. Koryukalov, nor the turbine operators V. Danilov and I. Lyashkov, nor V. Myasnikov, operator in the reactor department, nor A. Ponomarev, shift chief, nor any of the personnel of the station supposed that in 2 hours they would have to take a test not only of their courage, but also of their knowledge of all the nuclear power station's complicated systems. Nor did they suppose that their every word, recorded on the magnetic tape of a kind of "black box"

would be scrupulously studied by nuclear power specialists and by V. Andreyev, senior investigator of the procurator's office of Sverdlovsk Oblast. We will say it at once: they passed that most difficult test.

O. Sarayev, director of the BAES, who at that time was chief of the reactor shop, relates:

"The flame spread rapidly to one section after another. It did not allow the operating personnel to even limit the spread of the fire, much less prevent it."

In 4 minutes, as the investigation later showed, most of the means of communication broke down, the lights went off, and an acrid suffocating smoke began to belch forth. We should note that the station personnel did not have personal safety equipment at that time. No gas masks or respirators had been envisaged for those on duty on the shift, much less self-contained breathing apparatus. Just as many other things were not envisaged....

...I. Vatrich, captain of the internal service, who at that time was substituting for the chief of the fire-fighting unit, who was ill, had already prepared to go off duty. And suddenly there was a report from T. Dubrovina, dispatcher of the fire-fighting unit: No 2 turbogenerator was on fire. Ivan Petrovich, who had run out to the street, ran into I. Bychkov, deputy chief operating engineer, who had responded to the alarm. Together, without waiting for a car, they ran to the home of V. Malyshев, who was station director at that time. The latter was already in the street in his shirt sleeves in spite of the freezing cold.

"Hurry to the station!" the director ordered. "I will get people together now."

The car caught up with them there. They saw flashes of flame on the other side of the water channel. They rushed up a "clean" staircase to the eighth level of the main building.

In residential buildings they are called floors, but in nuclear power stations they are called levels. The machine room was located on the eighth level, and that is where the accident had occurred. Here is what S. Mokhov, the senior electrician on duty, said about it:

"I was sitting at my work station. I heard Gennadiy Masakov, the left operator at the unit control panel, shout something into the microphone. There was a sudden bang. The door was thrown open. I leaped from the duty room into the machine room. There I saw a starry sky. I did not understand at first that there was no roof."

As shown by the expert evaluation, the metal girders and reinforced-concrete roof, which had not withstood the temperature, which was that of a welding torch, had collapsed in the center of the machine room, leaving immense wreckage over No 2 generator.

S. Mokhov tried to start the sprinkler system. The pumps started briefly and stopped. The entire "sprinkler system block" was out. No one was yet aware that the fire had reached the electric wiring, had destroyed the insulation, had caused a series of short circuits and new sources of fire.

"At first, I thought that the hydrogen cooling the generators might explode," Sergey Ivanovich relates. "I brought it down to zero. I turned off the valves. I opened the carbon dioxide and nitrogen. At that point, all the lighting circuits went down."

The personnel in the machine room immediately took steps to localize the fire. They pulled out the oil tanks of the second and third turbines, on which the roof had fallen. They set up a close watch on the first generating unit, which had continued to operate, although they had also shut down the first reactor and begun emergency cooling. The first generating unit supported the operation not only of the rooms of the utility area, but also supplied heat to the northern section of the settlement Zarechnyy, where most of the station's personnel lived. It absolutely could not be shut down. What is more, shutting off the first turbine could have unpredictable consequences because of the extremely low temperature. If the cooling system of the first reactor should freeze, that would make it difficult to localize the accident as a whole and especially in the second generating unit. That is why we had to smother the fire and to take extreme technical measures.

The fire had to be denied the route from the machine room to the control room, which had to stay in constant operation. Except that it was almost impossible for people to stay there.

The control room had to be kept in operating condition so that the first power generating unit could continue to operate under the most difficult conditions that came about. It had to operate normally even though it was more than -40 degrees Celsius in the machine room. No 1 turbogenerator, covered with frost and snow, had to supply the electric power necessary to remove the residual heat from the second and first reactors.

The fire continued to spread. It reached the shielded area through the wiring ducts. People were no longer able to stay at their reactor control panels. But it was extremely necessary to monitor operating conditions. This pertained mainly to the emergency cooling instruments.

Time was not standing still. The firefighters arrived. Wearing oxygen masks, which, alas, the station personnel had not had, lighting their way with flashlights, they

escorted the operating engineers. And the latter, as soon as they groped their way to the control panels, took the readings from the instruments that were still operating and rushed to the exit. They did not have enough breath to stay longer. Then others struggled through to the panels to turn the necessary control lever. Some lost consciousness. They were carried out. But in a few minutes they again rushed into the control room, which was filled with smoke. No one else could have done their work.

Time passed. The fire was not giving up, but neither were the people. Oxygen tanks and the regenerating cartridges in the gas masks were changed and they went back into the compartments filled with smoke. The oxygen tanks ran out. The effort to refill them was organized. The foreman of the gas and smoke protection service arrived at the station from the fire department. Things went better. But sometimes people forgot to monitor the amount of oxygen in the apparatus. Yu. Kulev changed tanks repeatedly. As an experienced soldier and commander, he knew what oxygen deprivation could do. Still he lost consciousness. He came to in the cold in the machine room, where A. Komissarov had carried him. G. Gulyayev, colonel in the internal service and chief of the Fire Protection Administration, who had just arrived from Sverdlovsk, was standing in front of him.

The fight against the fire took a new turn when he arrived. Having quickly evaluated the situation, he saw that hot water was fed into the water mains so that they would not freeze. He issued the order for urgent delivery of an additional 40 tons of foaming powder.

Yet the situation continued to get worse. By morning the fire had spread almost throughout what is called the deaerator level. The fire had reached the "Karat" data processing and analysis computer into which all the information on the radiation situation in and around the reactor, about the heat situation, including that in the turbogenerators, had been fed. The computer was analyzing the technological processes and issuing recommendations to the operators. When it went down, it seemed that control of processes in the reactors had been lost. But at the time only the specialists knew about that.

During the night before New Year's Eve, 60 students from the Sverdlovsk Firefighters School, headed by Yu. Cherepanov, their instructor and a major in the internal service, were awakened by an alarm and sent to the BAES to perform a particular mission.

"A fire is like a scouting mission, you need to know who you are going with," Yu. Cherepanov says. "I took students from the fourth and second divisions. The conditions were as difficult as they could have been. In the street it was -47 degrees Celsius. Inside the building it was a roasting 80 degrees Celsius. There were the typical electric arcs flashing up from shorts in the wiring. The foam was thick because of the cold."

There were 17 hours left before the new year, 1979, when the exhausted people became convinced that now there had to be a turning point. There are mirages at the most dangerous moment when your strength is nearly gone and you take what you wish to see for reality. Yet it is just then that the specialists began to speak about a possible damage to the active zone of the reactors because of the discharges of residual heat.

The heads of various oblast administrations and departments, who had been raised by the alarm, were assembled in the office of V. Malyshov, director of the station. Thus, a command staff for repairing the damage of the accident had begun to take shape even though it had not been officially appointed. All the requests of the staff to repair the damage of the accident were carried out immediately. Storerooms of enterprises, construction projects, plants, and USSR Gosnab were opened in the middle of the night in response to a telephone call. Documents covering the transactions were filled out on the spot.

Later, in a conversation with inhabitants of Zarechnyy, with station personnel, and with the firefighters I learned that on that last day of the old year there was not a single person in the settlement who had refused to respond to the call for help.

In the station they were doing everything to support the operation of the equipment and to prevent possible damage to the active zone of the reactors. It is up to the specialists to tell how they managed to achieve that. Soon people became confident: nothing was going to happen to the reactors, and there would be no break in the airtight seal or damage to the active zone. Nevertheless, the specialists did not object to the decision of the operations command staff to prepare everything to evacuate the inhabitants of the settlement.

In the evening, V. Nevskiy, chief of the All-Union Production Association "Soyuzatomenergo," who knew the Beloyarsk AES well, arrived with members of a government commission. They went around the plant. In the machine room there were bent iron girders and the reinforced-concrete slabs of the roof were piled on the second turbogenerator. There was ice and freezing foam around. They made their way to the reactors through corridors flooded with water.

From the official record: "During the accident and after it, the nuclear safety of the reactors of the BAES was entirely safeguarded by the prompt insertion of the control rods and safety rods. The necessary subcritical state of reactors Nos 1 and 2 was ensured."

The investigating team began to inspect the site of the event, as the accident at the BAES came to be called in the criminal case instituted by the Procurator's Office of Sverdlovsk Oblast. Several people asked at the time: Was that case necessary, since the government commission had made its investigation? I replied that that criminal case was indispensable. So that people would not be blamed groundlessly, so that there would not be any shadow of suspicion cast on anyone.

The expert evaluation by fire specialists concluded that the cause of the fire was a short circuit which set fire to the insulation of a power cable. But the specialists were unable to determine which of the two cables that burned first had caused the trouble, since "...it was not possible to determine the moment of that short circuit relative to the fire because methods have not been scientifically developed to do so."

The criminal case was terminated because the elements of a crime were lacking.

More than 1,200 persons took part in putting out the fire. Orders and medals were awarded to 40 of them, and 44 received the "For Valor at a Fire" medal. That was not reported in the press.

Following that accident, all-union seminars were held for personnel of nuclear power plants and firefighters, operational and tactical doctrines were worked out concerning methods of preventing and smothering fires at nuclear power plants, a number of new fire prevention standards were drafted, and new equipment was introduced. The fire-fighting subdivisions protecting nuclear power plants were substantially bolstered. It is possible that these measures in fact helped the firefighters at Chernobyl to rapidly put out the fire that followed the accident. Still, one must think at times: Why did they not tell people immediately about the people who saved the Beloyarsk AES from tragedy and about its lessons? Perhaps then there would have been no events at Chernobyl?

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**Factors Which Inhibit Social Well-Being Analyzed**

18280008 Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA* in Russian No 7, Jul 88 pp 3-19

[Article by N.M. Rimashevskaya, Doctor of Economic Science, Director, Institute of Socio-Economic Problems of Population, Moscow: "Social Well-Being: Myths and Reality"]

[Text] Problems of social well-being were studied in the framework of the integrated research projects, "Taganrog-I" and "Taganrog-2," undertaken in the latter 1960s and latter 1970s. Taganrog is a good representative (as shown by a special study) of an average industrial center of the Russian Federation. The two projects, with a decade between them, made it possible to demonstrate the dynamics of the development of social well-being. They included five programs: "Living Standards and Socio-Economic Problems of Well-Being," "Trade, Demand, and Supply," "Way of Life and Cultural Consumption," "The Urban Family and Trends in Its Development," and "The Health of a Large Urban Community." They revealed the "sore spots" and contradictions which have accompanied rising living standards and distribution relations over the past period.

**"Skewed" Production - Shortages In Consumption**

The key problem of social well-being is the contradiction between demand and the capability to meet it, which is restricted by the low development level of the productive forces in the sphere of production of goods and services. The current "skew" towards production has resulted in chronic imbalances between demand and the supply of goods and services, in unmet demand, and in shortfalls in consumer commodities in respect of both their quantity and quality.

We found that urban trade outlets meet only one-half the demand for food, and only four out of five buyers were satisfied with their purchases of non-food items, i.e., they had acquired goods meeting their needs. An analysis of the "anatomy" of unmet demand reveals that it includes: (a) deferred ("accumulated") demand, represented by cash saving resulting from unrealized customer intentions; (b) apparent unmet demand due to the absence of goods corresponding to consumer ability to pay for them; (c) latent unmet demand, which is characterized by the acquisition of available goods to substitute for those actually desired; (d) impulsive demand, which is generated as an unplanned decision to buy a suddenly encountered commodity. All this has forced a new assessment of the actual structure of trade turnover, savings, and the relationship between satisfied and actual demand; it has demonstrated the impossibility of forecasting demand on the basis of trade turnover data. The reason is that the actual trade turnover reflected in

annual, quarterly and monthly statistics includes a substantial proportion of purchases which do not correspond to actual consumer requirements. A family frequently feels constrained to buy not what it needs but what the market offers, thus substituting certain consumer goods with others, often of lower quality and reduced consumer attraction, yet more expensive. Such purchases mask the actual structure of demand behind a screen of actually purchased commodities. As for "impulsive" demand, it is a companion of consumer goods shortages, which feed an urge to acquire things "just in case." Not for nothing is it held that "shortages breed shortages."

A detailed analysis of the reasons why people have cash savings reveals the proportion of those savings that is a direct consequence of the imbalance between demand and the supply of goods and services. Our studies indicate the following breakdown in the consumer structure of deferred demand: Clothes, shoes and other light industry goods, 28.3 percent; household goods, 14.7 percent; media, cultural and recreational commodities, 9.5 percent; automotive and sporting goods, 45.5 percent; other commodities, 2.0 percent.<sup>1</sup>

The imbalance in consumer goods and services effectually devalues earnings, which are not by themselves a guarantee of the earner's right to acquire needed commodities to meet his or her demand. Additional labor is required to "hunt" for the needed commodity. Moreover, the "hunt" can require quite some time: more than two and a half years for cars, more than a year for electronic wares, over six months for clothing, around half a year for footwear, four months for electrical appliances, etc. What, in these circumstances, is the incentive to increase one's earnings? How can a worker improve his qualifications if he has to use his free time (over and above the working day) to look for goods for which he has already earned the needed money?

The failure of local markets to meet payable demand generates the so-called pendulum migration of buyers. Two out of every five purchases in the polled families were made in other cities, including 23 percent outside of Rostov Oblast and the Russian Federation; Taganrog inhabitants purchased more than 40 percent of all their clothes in other cities.

Characteristically, families in all income brackets have money set aside "waiting" for something to buy (on average 35 percent, with 15 percent in the lowest pay brackets).

Shortages of goods and services create the greatest burden on low-income segments of the population, which are forced into additional expenses. Thus, 55 percent of meat and meat products were acquired outside the city retail system, including 40 percent at kolkhoz markets. People overpaid some 100 rubles per person a year for five products alone (butter, meat, potatoes, vegetables, fruit), which, naturally, reduced their real incomes. It is

significant that the average price of meat purchases in low-income families was 50 percent higher than in high-income families. The reason is that, in conditions of shortages of goods and services, families which have direct access to consumer commodities by virtue of job (in retail trade, public catering, the entire service sphere) or position are at an advantage. Thus, despite relatively low wages and official income, retail trade and public catering employees rated the quality of nutrition in their families the highest (4.14 on a 5-point scale, as against 2.89 for retirees).

Against the background of shortages of goods and services—not so much in terms of quantity as in structure and quality—the sources and causes of the “consumerism effect” appear in a different light than traditionally accepted. Excessive acquisition of consumer goods, especially prestige items, deformation of the structure of consumption, and so-called consumer psychology have deep socio-economic roots nurtured by chronic shortages of goods and services and their substantially inferior quality to their imported equivalents. Goods in short supply become an extremely important element of so-called prestige consumption. Acquisition of goods in short supply for subsequent consumption makes shortages self-perpetuating. Consumerism is abetted by the absence of conditions for high consumption standards due, in the first place, to inadequate housing, shortages of public amenities, and poorly developed social infrastructure. How can the 10 percent of urban families which occupy less than five square meters of housing per person, the 20 percent of urban dwellers sharing communal apartments, or the overwhelming majority of rural dwellers whose homes lack elementary amenities hope to achieve high standards of consumption? After all, genuine culture requires a material basis.

#### **Wage Payment and Consumption Funds: Disrupted Feedback**

The second set of contradictions is associated with the objective requirements of distribution mechanisms under socialism and decision-making by fiat in the sphere of wage payment and use of public consumption funds. As a consequence of the breakdown of objective established proportions between accumulation and consumption, remuneration for work of different quantity and quality, the structural elements of public consumption funds and, finally, between the incomes of different groups and segments of the population, the basic distribution mechanisms (wage payment and public consumption funds) have ceased to fully perform their social and economic functions. But at each stage of economic development and achievement of a specific standard of living these proportions have very definite values and are closely interrelated. If this interrelationship breaks down in even a single link, the entire system of distributive proportions breaks down and the distribution mechanisms begin to malfunction.

The proportions in wage payments which had evolved by the latter 1970s worked in the first place to undercut the material incentives for skilled workers and the results of their work. Thus, if the average pay of low-skilled workers is taken to be 100 percent, the pay of technicians having specialized education was 91 percent, and that of specialists with higher education was 108 percent. As a consequence of the unjustifiably low remuneration for the work of technicians, after receiving training almost one-half of them refused to work in their field. A serious cause of the situation with wage payment is an acute, but largely artificial manpower shortage as a consequence of which it is harder and harder to hold down pay raises, especially for unattractive or arduous jobs requiring no special professional or vocational training. The connection between education and wage payment was also disrupted. Fifty percent of all low-skilled workers moved into the median pay bracket, with 15 percent even in the high bracket, while the pay of 20 percent of all specialists with a higher education was close to the minimal level. The processes affecting pay scales have been affected by the disproportions between the high level of education, especially among young people, and job structures. The shortage of low-skilled labor (and there are still many such jobs) is compensated by higher pay.

Various pay adjustments carried out over the decade from 1968 to 1978 caused an “inversion” of wage payments as a consequence of which low-skilled workers became mostly median- and high-paid, while the proportion of people among high-skilled workers and, especially, specialists with higher education in the low-paid bracket more than doubled. The correspondence between the measure of labor and payment for it, broke down. Wage payment gradually lost its function of a material incentive. This caused serious problems: loss of professionalism and qualification, devaluation of knowledge, especially in the non-production sphere. As a result, the highly skilled labor of doctors, teachers, engineers and scientists, especially important in our time of scientific and technological revolution, became both materially and morally unrewarding.

In the area of public funds, retirement benefits designed to provide material support for senior citizens declined. Despite a number of changes and amendments, the 1965 pension law lost its punch. the ratio of average pension to average pay dropped to 42 percent (from 63 percent when the law was passed).

Half of all retirees live as separate families, which aggravates their material circumstances. The other half live with working relatives and, given their low pensions, are in 40 percent of all cases dependents of both the state and their families. Without automatic adjustment of pensions to changed conditions of work and remuneration for it, earlier awarded retirement benefits fall significantly behind. The ineffective method of computing pensions according to earnings during the final year of

work subverts the economic basis of this distribution mechanism. All this undermines the social principles of retirement benefits, emphasizing the need for a reform of retirement legislation.

The system of providing social benefits from public consumption funds works, along with socio-demographic factors, to transform the distribution of wage payment in such a way that the differentiation of income (2.64) is lower than the differentiation of pay (3.05). This means that under the impact of socio-economic factors (the ratio of dependents and workers, level of pay and social security), a three-fold difference in pay (the ratio of wages of low- and high-paid workers) is reduced to approximately 2.5-fold when the ratio of incomes of low- and high-income families are compared. The gaps in wage payment instituted by the entire pay-setting system, which are obviously undesirable from the point of view of existing labor relations, are reduced to naught by the conditions in which social benefits are provided. This is another channel of levelling effects and the breakdown of the relationship between the measure of labor and consumption. For in the ideal, if we want relations of distribution to perform their function of an incentive, we should strive for approximate parity in differences of wage payments and family incomes.

The effectiveness of public consumption funds in the area of free and discount benefits—health services, education, cultural services, preschool child care—has also declined. Their extensive mode of development, oriented on numbers of beds, doctors, educational and day-care establishments, clubs or libraries, has drastically reduced the quality of services and weakened their social function. Far from ensuring equal access for all to free services, quantitative growth in this sphere actually accentuates existing differences, for example, between urban and rural communities or between administrative and public institutions. Moreover, whenever there is a choice between free, but inferior, and paid but quality services which meet customer requirements, the option is in favor of the latter. The public consumption funds cease to play their role in satisfying social priority demands.

A good example is a comparison of the situation with day-care establishments in the latter 1960s and the latter 1970s. Initially the shortage of accommodation in them was 40 percent. Ten years later adequate accommodation was available, not only because there were more establishments but also because of reduced demand. The negative attitude of parents to day nurseries and kindergartens prompts them to seek ways of providing home care for children. This is indicated by the views of parents whose children do not attend kindergarten or day nurseries: more than half pointed directly to poor conditions and quality of education, 42 percent noted the lower sickness rate of children at home, and 18 percent considered that the home offers better amenities. In addition, the preference of parents for home upbringing is enhanced by greater family care for children, their

health, level of education, etc. This is patently contrary to one of the primary functions of public consumption funds, which is to stimulate consumption of benefits of high social import.

#### Families Need Help

The third important contradiction in the development of the social organism is that greater involvement of the population in social production and education reduces the amount of time available to organize family life and recreation, rear children and care for the aged, while the infrastructure is unable to compensate these losses. As a consequence, many undesirable phenomena appear, including declining birth rates, antisocial behavior, and high sickness and mortality rates. But the main consequence is a destabilization of the family, which became apparent in the latter half of the 1960s. Unfortunately, the statistics of this process are obfuscated by general figures of marriages and divorces (even when the number of divorces is compared with the number of existing marriages). But the lowering of the age of people getting married expands the actual boundaries of marriages and divorces. The relative number of marriages (taking into account the expanding "marriage field") is declining while the number of divorces is not. Younger marriages mean that the age groups (and hence the number of people) which have the potential of forming new families are growing larger.

Over the past decade the number of married men up to 30 years of age and women in the 25 to 45 year age bracket has declined. Every fifth woman in the age group must suitable for forming a family and raising children is unmarried. As a result of divorce or death of a spouse, 20 percent of all families are single-parent families. Among women in the 30 to 35 year bracket 6 percent have never married and most likely never will.

Scholars cite numerous reasons for the instability of the family. In our view, it is, in the first place, destabilized by the entire range of conditions which determine the position of women. Given equal education and qualifications of a newly-wed couple, the woman will usually hold an inferior position at work, during the first 10 years of marriage her pay will increase at a much slower rate, and she will rarely advance her professional skills. During the second decade of family life the woman will generally catch up with the man in rate of pay increases but, according to our studies, here average pay will still remain 25 percent lower. To make up for lower earnings many women take lower-skilled, arduous and harmful jobs which offer higher pay.

Our study shows that family requirements essential for performing its social and reproductive functions come into conflict with the living conditions it finds itself in from the day it is formed.

The well-being and "quality of life" of families change significantly during various stages of their existence. The social strains which accompany these stages require careful study and management. Thus, most first babies (77.5 percent) appear during the first two years of marriage. The average family is 2.8 years old at the birth of its first child and 6.6 years old at the birth of the second. Moreover, 42 percent of all families limit themselves to one child and 55 percent to two. Almost one-half (46 percent) of new families live with older relatives and get to live on their own on average after 20 years of married life, when they are hardly likely to have any more children.

Changes in a family's demographic status also determine its material well-being. During the first 20 years, income per family consistently declines under the impact of growing family load (birth of children, lower work load of wife, need to support nonworking parents), which is not compensated by higher earnings of the husband. During the family's 20th to 30th year of existence its material well-being improves: children go to work, they form separate families, the spouses are at their peak work form and wage earning capability. During the following 10 years material well-being stabilizes, after which income per family member declines sharply with old age, death of a spouse, and retirement.

Thus, from the point of view of the family's reproductive functions and rearing of a healthy generation, the most vulnerable time is the first 10 years, when it usually lacks independent housing and the birth of a child forces the mother to give up work temporarily (for 3-4 years), thereby creating two dependents at once and sharply reducing family income. Yet this is precisely the time when the family has to acquire essential belongings. At the same time, the man usually has no opportunities for getting a second job and additional income.

The measures taken since the early 1980s to help young families—one year leave on partial pay for the mother upon the birth of a child, construction of housing complexes for young people, young family loans, opportunities for supplementary work on the basis of individual and cooperative organization of labor—will have a positive impact only if they are not just proclaimed but put into effect.

#### Quality of Life and Income

There is a close relationship between potential health and well-being. Higher well-being enhances the value of things falling into the "quality of life" category, and health is one of its primary components. It is what determines the satisfaction of virtually all a person's needs and the all-round, harmonious development of the personality. A person's health determines the extent of one's involvement in work and its use as a source of

material well-being. At the same time, health is significantly affected by living conditions and the entire way of life (working conditions, nutrition, housing, personal hygiene, etc.).

We attempted to evaluate health on the basis of a combination of subjective perception and objective evaluation of the organism and determine integrated indicators of personal health according to a 5-point scale. The average score was 3.57.

How does our health change over the years? Up to age 25 the trend is towards better health, approximately from level 4.08 to level 4.30. At this stage it is important to raise the health potential to its maximum value and keep it there until at least 30 years of age, especially since the period of growth and functional stability of the organism ends by about 35 years. After reaching the age of 25 the health potential declines, though not gradually but incrementally. The first health decline is followed by an approximately 10 year period of stability. At 35 there is a second "increment" of decline, followed by another 10-year period of stability. At 45 there is a new decline, which stabilizes only after 5 years. Then health deteriorates and remains virtually unchanged for the next 20 years. The periods of descending "increments" represent specific temporal risk boundaries for people in the respective age groups.

"Health resources," i.e., factors affecting health (housing, nutrition, working conditions, exercise, organized recreation, alcohol consumption and smoking or absence thereof), are highest for workers with higher education (all resources are higher than average). Health resources are worst in the group of low-skilled workers.

The study showed that the most important health factor is not health services but working conditions. In some cases improvements in people's health are prevented by limited opportunities for regulating living conditions and reducing their unfavorable effects. The greatest such factor is housing. As a rule, various health factors affect well-being with a certain lag. Hence, a comprehensive, true picture of the dynamics of health and the factors affecting it requires a dynamic analysis and investigation of their interrelationships over an extensive period of time. We consider it necessary to organize a special all-union panel to study health over an extended period of time. This would make it possible to reliably assess not only the psychological and physiological state of various population groups, including by various regions, but also to study characteristic economic and social processes.

Studies of way of life and cultural consumption have revealed a number of new, important elements in social mechanisms. Like any other requirements, cultural needs are mutually complementary, while the very processes involved in the development of socio-cultural activity are characterized by a gradual, directed advance

of individuals from a restricted number of simple activities (watching television, reading) and poorly developed forms of way of life to complex, diversified forms (visiting museums and theaters, tourism, etc.) and developed forms of activity (creative activities, amateur activities). This, incidentally, determines the temporal sequence of the organization and establishment of cultural institutions (there is no sense building an opera and ballet theater in a city which has no theater for children).

The notion that various activities compete, with some disappearing and others expanding, is at variance with the essence of the processes taking place in this sphere. Quite the contrary. The structure of socio-cultural activities is extremely stable. At the basis of their development lie simple activities; complex activities build on simpler ones.

There is a close connection between creating favorable conditions for gaining access to cultural amenities in everyday life and developing a healthy life style and improving public services in residential areas and setting up cultural community centers which would provide community-specific services taking into account family, age, occupational and other features. At the same time, it is useful to set up large cultural centers capable of providing the entire range of cultural services of the highest quality.

How does income affect the consumer behavior of people? We have grown accustomed to the classical notion of a monotonic relationship between the structure of consumption and income. But obtained data indicate discrete, stepped changes in consumer behavior as a factor of income. There are certain "levels" of consumption. A certain consumption standard forms at each "level" and passage from one to another is of a stepped character. This consumption effect was established with respect to the acquisition of durable goods and confirmed by data regarding overall consumption, indicators of people's satisfaction with the state of their consumption, and also health characteristics. Three "consumer levels" were established, the approximate boundaries of which lie at per-capita incomes of 70, 110, and 145 rubles per month.

The mechanism of discrete changes in consumption contains (and we consider this extremely important) hidden incentives to work more as the desire grows to advance to the next consumption "level," as well as to escape from the level at which demand remains only partially satisfied.

Understanding the social mechanisms affecting the formation of social well-being has helped to refute several dogmas. Thus, since the latter 1950s it has been customary, when studying living standards, to concentrate on two problems: low-paid workers and low-income families. A detailed study of the composition of the low-paid workforce revealed that 40 percent of its workers are engaged in the sphere of material production and the

other 60 in the non-production sphere; every fourth is a blue-collar worker, but 2 percent are specialists with higher education. The overwhelming proportion (90 percent) of low-paid workers are women. The educational level of the group is relatively high (47.5 percent have secondary or specialized secondary education, including vocational training). Characteristically, 90 percent of the low-paid workers are "second" earners in families, and three-quarters belong to medium- or high-income families. Two-thirds of the families with low-paid earners are materially well-provided and have savings for the acquisition of expensive goods. The existence of low-paid workers whose labor is remunerated below their qualifications is a consequence of the relative low pay in the non-production sphere, i.e., a certain imbalance in remuneration in the main sectors of the economy.

A detailed study of the social and demographic status of low-income families revealed that a plurality (41 percent) are families of retirees, one-third are families with two earners and dependents, more than one-fifth are families with temporarily non-working mothers or truncated families (single mothers or people in the process of changing jobs). In addition, these include families with permanently non-working wives, as well as families with students living on college scholarships. This refutes the persistent dogma that low family income is a prime result of having many children and that the problem can be resolved by providing allowances for them. Actually, low income is a consequence of the presence of dependents of the family and society, especially retirees on low state pensions.

The proportion of low-paid workers and low-income families, taking into account changes in the low pay threshold (from 80 to 120 rubles) and low income threshold (from 50 to 75 rubles), is more or less constant. The assertion that there was an independent problem of low-paid workers and low-income families solution of which required specific measures (raising the minimum wage by 50 percent, providing child allowances for low-income families, etc.), has been found to be false. In the conditions of distribution according to work and real differences in the socio-demographic structure of families, and given normal differences in wages and incomes, there will always be relatively low-paid workers and relatively low-income families. The problem of low-paid workers is not something that exists by itself; it is a consequence of relative disproportions in remuneration for work of different quantity and quality. As for minimum pay, it reflects the minimal level of consumption acceptable at a given level of social development and represents the lowest threshold of demand. It is linked with the minimum living standard, is designed for remuneration of the least skilled, simple labor, changes together with the improvement of the social well-being and can increase independently of centralized decision-making. Thus, in the latter 1970s, the actual minimum pay was not 70 rubles, as officially set, but, the study

revealed, 84 rubles. Determination of the minimum pay is a special problem that should be considered within the system of socially guaranteed norms.<sup>2</sup>

The so-called problem of low income must be resolved by improving the distribution of public funds. In the first place, it is necessary to increase pensions. We consider that there cannot and should not exist any system of supplemental payments to reach the minimal material subsistence level (subsistence minimum) because such a system would immediately come into contradiction with employment and the distribution of benefits according to the quantity and quality of work.

#### The Effectiveness of Social Programs

The extensive duration of the study made it possible to evaluate the effectiveness of social programs implemented during the course of the 10th and 11th 5-Year Plan periods not only from the standpoint of their impact on production but also from the point of view of the social situation. Every socio-economic measure and the program as a whole is based on the utilization of public resources. Their size is limited; if a measure has failed to help resolve the problem, it is ineffective.

During the first study (in the latter 1960s) attention was concentrated on the housing problem. It is rooted not so much in the comparatively low level of housing supply as in the existence of totally unjustified differences in the availability of housing to different groups and sections of the population. During the 10th and 11th 5-Year Plans, no less than 100 million square meters of housing was built nationally each year, the average per-capita occupancy area increased, and more families occupied separate apartments. Yet the housing problem, as represented by the gap between social requirements and their satisfaction, remained as acute as it had been 10 years earlier. While the Constitution guarantees the right of all citizens to housing, differences in housing conditions remained substantial. Ten percent of all families had less than 5 square meters of housing per person (the same as in 1968), while 17 percent had more than 15 square meters; the number of people on waiting lists had not declined and remained at 20 percent, and the waiting time for getting state housing remained at the level of 10-15 years. There is an 8- to 9-fold difference in housing expenses between those living in their own houses or cooperative apartments and those living in state housing units. The quality of housing also varies widely: one-quarter of all families enjoy all amenities, while almost one-half lack either running water, plumbing, or both. More families occupy separate apartments (47 percent, up from 19), however, three-quarters of all one-room apartments are occupied by families with two or more members. Only 30 percent of all apartments offer one room for every inhabitant. Families with children live in the worst conditions; the more children there are the less the availability of living space. Young families are also poorly provided for, and more than 70 percent of single people live in dormitories.

Thus, the solution to the housing problem is linked not only with expanding the scale of housing construction but also with radical improvements in the distribution of housing, including: (a) radical changes in rent which would take into account all parameters of the quality of housing (construction materials, privacy, utilities, location, etc.); (b) improving the management of available housing by raising material responsibility for unoccupied housing; (c) removal of restrictions on the exchange of residences and maintaining a housing exchange reserve; (d) payment for housing in accordance with socially guaranteed norms of utilization (everything in excess of the norm to be paid for in full). Without this the housing problem cannot be resolved, and it will be hardly possible to achieve the goal of providing every family with a separate apartment by the year 2000.

Another example of the low effectiveness of social measures can be seen in the efforts to improve pay schedules. In the 1960s the minimum wage was increased 50 percent (while the rate of increase of high wages was restricted), subsequently rising to 70 rubles. Pay rates of median-pay blue- and white-collar workers rose. However, the measures undertaken in the latter 1960s gave rise to levelling trends, which peaked in the 1970s. In the latter 1970s the levelling process appeared to halt, but this was largely due to differences between different sectors of the economy and different regions of the country. Labor differentiation *per se* within specific sectors and plants, which is the core of incentives, i.e., differentiation geared solely to the results of work and to the professional skills of workers, far from increasing, actually declined. This is indicated by a special analysis of pay differences by sector and region. Pay differences of workers of the same plant or sector continued to narrow slowly. The reduction in pay differences clearly runs ahead of the process of convergence of different types of work, which has a negative effect on material incentives for skilled workers and pulls down their performance.

Moreover, the illusion of growth in differences in wage payment was fed by the aforementioned "inversion" in the earnings of low- and high-skilled workers which existed at the time. The aggregate impact of all of the foregoing caused a new spiral of pay levelling which resulted in a decline of responsibility for the results of work and a loss of worker skills. One cause of these processes is the absence of a comprehensive program for improving wage payment and the introduction of often contradictory measures which contributed to excessive labor turnover. The same can be said of family assistance measures and government support of senior citizens. Hence, what is needed is a fundamental change in the methods of planning and forecasting social well-being, the introduction of a problem-oriented methodology based on the identification of socio-economic problems with due account of their extent and specific content. The problem-oriented approach would make it possible to plan improvements in social well-being from the

standpoint of social effectiveness and to set our sights on formulating a comprehensive social program of social well-being.

The solution of many problems of well-being depends on the conditions, forms and character of the distribution of the material and social values produced by society. It is necessary to perfect the management of distribution mechanisms, which are essentially not subject to administrative methods of control by fiat. The system of distribution mechanisms must be based on integrated, closely interrelated socio-economic norms and standards. The most important of these norms are minimum pay and pay differentiation, elements of the retirement system, norms of state assistance to families for raising children, norms of housing supply, average per-capita expenses on education and worker training, health and cultural services. This cannot be done blindly, especially since, as mentioned before, many dogmas and subjective

views have accumulated in this area. It is necessary to conduct regular (once every five years) national reviews the results of which would provide a basis for preplanning estimates and the conceptual formulation of programs of social development and improving social well-being in the upcoming plan period.

#### FOOTNOTES

1. The data presented here and elsewhere are actual figures from the Taganrog-II Project.
2. "Socio-Economic Norms as Target Provisions of the Economic Plan." EKONOMIKA I MATEMATICHESKIYE METODY, 1983, Vol. XIX, vyp. 3.

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## LABOR

### Methods Suggested To Curb Illicit Transactions

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[Article by V. Yaroshenko, deputy general director of the State Tractor Research Institute [NATI] Scientific Production Association and candidate of economic sciences: "Discussion Forum: 'Princes' and 'Paupers' in the World of the Shadow Economy"]

[Text] Imagine that you are about to leave on a trip by train, ship or plane. As you board you hear someone say: "Your tickets, please." And according to the price of the tickets you rightfully take your reserved seat on the plane, compartment in the first-class car, first-class berth or chaise longue on the steamship deck. In other words, the level of comfort, service, speed and other parameters of your journey will depend on the sum which you pay into the state treasury. Then why do some of us attempt to get through this life, at times quite successfully, without a "ticket," without serious proof that the benefits which we enjoy were earned by us and hence are legitimate?

Radical economic reform has inaugurated restructuring in every aspect of our society. In particular this has affected the restoration of social justice. Upon what should social justice be based? Obviously not on slogans.

The crux of the problem is a shortage of high-quality consumer goods, on the one hand, and the overstocking of low-quality products which prevents needed funds from flowing into the state budget, on the other.

Until recently the usual way of making ends meet was to flood the domestic market with massive quantities of high-priced goods like liquor. This produced billions in "drunk money" which set off a chain reaction of disastrous consequences: demoralization of the public, a rise in crime and prostitution, a slackening of discipline and labor productivity, an increase in the rate of accidents and serious injuries, a breakdown of the family and the birth of children with birth defects. In a way we were undermining and destroying ourselves from within.

The economy of shortage even gave us a specific mentality and new terminology. Instead of talking in a normal manner about "buying" and "selling" we began saying that a product was "tossed out" and "acquired." And money was no longer money. In other words, the basic function of money as a universal economic equivalent had been violated. It has always been normal and natural that money is difficult to earn. But the fact that it had become difficult to spend was an alarming symptom.

An economy plagued with chronic shortages is an affront to the honor and dignity of the Soviet man. Tens of millions of working people find themselves forced to be beggars in order to obtain the goods and services which they themselves produce.

A multibillion-ruble black market of goods and services has been created. Huge sums spent buying scarce items at inflated prices constantly pass from hand to hand, bypassing the state treasury.

The leaders of this shadow economy not only cleverly exploit the chronic shortages, but also create artificial shortages themselves. For example, industry representatives claim that they are capable of fully meeting the demand for automobile windshields. Yet the goods-and-services mafia deliberately understates the actual demand for certain types of spare parts in their official statements. And the consumer is forced to pay a higher price for glass, which the store has "run out of," but which is available on the black market.

It is difficult to determine the sum of income produced by this shadow economy with all the precision of the USSR State Statistical Committee. The figure would be many billions of rubles, and the damage which this economy does to the country each year is substantially greater.

The sum of the criminal world's profits and the damage done by it greatly exceeds payments from social funds received by the poorer segments of the population: retirees, invalids, large families, students and residents of children's homes. In other words, a successful economic offensive against the shadow economy and a more just distribution of national income could raise substantially the standard of living of almost 100 million Soviets—precisely the ones who are seriously in need of help today.

That is the scale of this problem, and these are the quite possible results of a struggle against economic crimes. But it is impossible to accomplish this using old methods. Why? The shadow economy presented the criminal world with the task of creating special shadow management structures which sometimes function in parallel to the official structures, but which are most often intertwined with them, forming a corrupt administration within soviet and economic organs. Shadow structures develop and implement their own rules of the game, set their own rates: how much a job, a privilege or an award costs, as well as a system of shadow taxation under which each lower-ranking level of criminals hands over a share of its "profits" to its brigade leader, who then respectfully sends it on to a higher level—to the "godfathers."

The higher the level, the greater the "tax." Strange tax pyramids have been created. At the top, shrouded in clouds of inaccessibility to any sort of monitoring or criticism, we are astounded to find a Shchelokov, a Churbanov, a Rashidov, a ...

The shadow economy has its unwritten laws which, incidentally, are observed much more strictly than the statutes of the criminal code. Mutual assistance, "insurance" for individuals serving prison sentences and the trading of favors are widespread. And, bizarre as it may seem, there are even... shadow law enforcement services, from bodyguards on up to hired assassins. A real shadow theater! I would even call it a state within a state.

In my opinion, we are interpreting V. I. Lenin's thesis that "socialism is above all record keeping" too narrowly. We count the millions of tons of steel, cement, coal and oil we produce... yet at the same time we do not have even a broad idea of people's level of wealth, either for the country as a whole or as divided among republics, regions or social groups. In this connection a tremendous role could be played by legislation introducing a new tax system based on a declaration of income and expenses that would be uniform for all. (As translated from the French the word "declaration" [deklaratsiya] means "an official statement").

The introduction of such legislation would perform three very important functions: it would determine the level of public wealth, the amount of disposable income and the rate of growth in that income among various categories of workers; it would expose or make de facto outlaws of individuals who are becoming wealthy or have already become wealthy through criminal activities; and it would bring substantially more money into the state treasury and partially restore social justice through the levying of a progressive tax on large holdings, i.e. a tax proportional to the extent of an individual's wealth.

This declaration of income and expenses would serve as a means of exerting powerful economic and psychological influence, most of all over the organized crime system. Society, against which economic crimes are being committed, has a right to utilize powerful economic and other levers to defend itself.

In some countries, for example, the practice is to try petty crimes immediately in court without filing a formal criminal case; in such trials the "judge on duty" simply levies a fine amounting to 10-100 times the amount of damage incurred. This system would be highly effective in the struggle against the millions of petty thefts from the workplace which are literally ruining the economy. A fine of 300 rubles for the theft of a three-ruble box of candy from a candy factory would be more effective than a comradely court and would discourage not only present thieves, but potential ones as well.

Why has the issue of introducing such a declaration not been more acute before now? Analogous documents were introduced in this country on a temporary basis during the NEP period, although with a much more limited significance than those that are being proposed today. Furthermore, up until the 1960's Soviets' personal wealth and opportunities for personal enrichment were

quite limited. All this, together with harsh punishments, sharply curtailed the functioning of the shadow economy, although it did of course exist.

Today only an insignificant portion of dangerous crimes threaten the lives, honor or dignity of Soviet people. A majority of crimes have illegal gain as their objective, i.e. are of an economic nature. These are economic crimes. In this connection it is logical to assume that the most effective means of combatting the shadow economy are above all serious economic barriers and sanctions. We need a complex of well-deliberated, balanced measures.

As part of this it is especially important that we return to working people the sense that they are truly the masters of the job that they are doing. If that were the case, then the economic mafia would be more actively opposed not only by law enforcement and financial organs, the courts and the procuracy, but also by millions of blue-collar workers, peasants and office workers. One effective economic measure would be the distribution among labor collectives of loan stocks or shares in the development of given enterprise with reasonable dividends, with these stocks and shares not to be sold to a third party. This sort of "share" or "family" enterprises would bar the doors to thieves and embezzlers.

Another measure in the struggle against economic crime could be a system for registration of sales of property having a value of over 3,000 rubles. When the state sells a automobile, for instance, to a private individual, then it knows the buyer's name and many other useful data. Until recently one could see scenes like this: a customer walks into an Agat Store and pulls 25,000 rubles out of his or her wallet and buys a diamond necklace, and the state did not even learn the customer's name so it could thank them for the purchase. Resale of this type of property should also be conducted only through state organs.

The proposed declaration of income and expenses is a sort of economic and legal "snare" for catching criminals. The fact that everyone would be required to fill it out would present thieves and persons who accept bribes with a fateful alternative. Either they could honestly indicate how much illegal wealth they possessed, with confiscation of all their property the almost inevitable result, or they could conceal the true extent of their wealth, thereby risking the addition of a long prison sentence to their original financial penalty.

Thus, by signing a declaration of income and expenses in this form a criminal would in effect be signing his preliminary indictment. Not everyone could stand the strain of the agonized waiting for society to hand down the final verdict.

It could be recommended to underground millionaires that just prior to filling out their first declaration of income and expenses they make an anonymous contribution to any of the numerous public funds (cultural

fund, children's fund, etc.) of those surplus thousands and millions of rubles, which they would find it very difficult to spend under the new tax system anyway.

Despite the fact that this is a relatively new area for us we do have a certain degree of experience with it, garnered mainly through the use of customs declarations. These record the amount of your personal wealth when you travel abroad, and later your financial status upon return. If you should "forget" to record that \$1,000 in your wallet and the money is later discovered, you would be subject to the statute of the criminal code dealing with currency smuggling.

An analogous system should be discussed in connection with the introduction of a declaration of income and expenses. In general it could be suggested that it contain the following information: an estimate of one's wealth on 1 January of the previous year in money and property; the amount of money earned during the year, whether through salary, honorariums, cooperative or individual labor activity, etc.; and an estimate of one's wealth at the beginning of the current year...

Of course, in practice the declaration would be more complicated than that, but the mental level of those who steal millions from the state should be adequate to fill it out.

The introduction of such a declaration should be accompanied by the passage of additional laws pertaining to the struggle against corruption, embezzlement, speculation and other types of economic crime. For example, in a case involving a large amount of undocumented wealth the procurator should have a right to file for total confiscation of it, even without direct evidence that it was obtained by illegal means. In this case the people's judge should decide: could Grisha the butcher or Gosha the student, who drive around in Mercedes-Benz, save, say, 100,000 rubles from their stipends? If this money was acquired illegally then it makes sense to transfer it in its entirety to the state. To be allocated to children's homes, for example, without the criminals having the necessity of recounting specific violations of the law.

Another needed addition to current legislation is confiscation of property and long prison sentences for nonpayment of taxes. And that would be completely fair, because people would be concealing precisely that income which they obtained by illegal means. It is for that reason that almost everywhere in the world failure to pay taxes is regarded and punished as a highly serious crime, equivalent to robbery.

Another essential step is the introduction of a progressive tax—the greater one's income, the higher the percentage deducted by the state. It is unfair for the "princes" and the "paupers" to pay the same percentage of their income in taxes, since in poorer families every

percentage point of tax has greater weight and significance than it does for wealthy people. It means deprivation of necessities, not elimination of superfluous luxury. Therefore social justice demands that a progressive tax be introduced. In some countries superprofits are subject to a tax of up to 80 percent. And why should we, within reasonable limits, of course, not take advantage of world experience?

We must hurry. It is time to introduce the declaration of income and expenses, a progressive tax and other measures in the struggle against the shadow economy. Life itself dictates this.

#### Bunich Analyzes Co-op, State Sector Interrelationship

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[Article by P. Bunich, corresponding member, USSR Academy of Sciences: "The Cooperative System and the State Sector: Basis of Interaction"]

[Text] One of the fundamental questions in our country's economic development, and one that largely determines the other questions, is "the ascertainment of the relations" between the state and cooperative sectors, the optimizing of their proportions, and the revealing of the conditions for achieving that optimized situation. This question includes a large number of subquestions. Several of them are considered below.

At the present time, passions are raging around the cooperative system. It is being blamed for the nonlabor income derived from the inflation of prices, from the use of cheap state output, and the sale of commodities with hidden flaws. The visible lack of coordination is being treated exclusively as an opportunity for plunder. But there is another, also extreme, point of view—the view that the cooperative system, in principle, is more effective than the state sector. People cite instances when cooperatives have "revived" the most decrepit, most neglected state enterprises. For example, the Nevyansk brick plant of the Sverdlovskstroymaterialy Association, after becoming a cooperative, was converted from an enterprise operating at a loss to a profitable one. The same thing occurred with the technological-shavings preparation shop that was leased by the Ural cooperative from the Verkhnyaya Sinyachikha wood-shaving slab plant of the Fankhimprom Association, and by the Berezka cooperative that arose on the base of the disbanded unprofitable fiber-cement slab plant in Zagorsk (Moscow Oblast). Things started to go well for the cooperative that appeared on the base of the Krutishchinskiy Sovkhoz, which leased land and structures to it and sold equipment to it on credit.

A few people are beginning to get the idea that the hefty risk-takers who are attempting to seize the unsatisfied market are rushing into a new Klondike. The workers in the state sector feel that they have been cheated of their

fair share, and their optimism is sagging. And this is right now, when the cooperative system is in its embryonic stage. People wonder what will happen if it encompasses large segments of the population. Wouldn't it be better to check or to stifle this excessive, tempestuous, and infectious force? The answer depends on how we evaluate the phenomenon that is confronting us: like childhood diseases that will disappear with the passage of time, like a weed that, if it not pulled out promptly, will choke out the cultivated crops, or like a panacea to solve all difficulties, the summit and model of cost-accountable self-interest.

The considerable experience that our country had in the 1920's and today's practical situation, the large amount of experience in the other socialist countries, as well as the history of the cooperative system in prerevolutionary Russia, when it encompassed 12 million peasant farms, and the example of the developed capitalist countries and the entire "Third World" attest to the fact that the cooperative movement in every country moves along a normal, healthy path in its own distinctive way after the first, not always precise, steps, and makes its considerable contribution to the development of the productive forces of society. At the same time, the cooperatives have never encompassed the entire economy anywhere, and they never become the sole—or even the predominant—form of employment or the satisfying of demand.

With a consideration all this, it would be more reasonable and more economical to study and to introduce more rapidly what has justified and confirmed itself long ago, rather than to knock oneself black and blue building a new Eldorado. To a considerable degree this study has occurred and it found its expression in the Law Governing the Cooperative System in the USSR, which puts the cooperative system into a qualitatively new orbit, thus developing both the overall theory and practice of the real commodity-monetary relations under socialism.

#### **Why Do Members of Cooperatives Have Higher Earnings Than Workers in the State Sector?**

At the present time, the income of cooperative members, as a rule, greatly exceed the income of workers at state enterprises. This is explained first of all by a number of today's advantages in the cooperative system, which, however, should not be considered only its organic properties. In the future, I think, the state sector will also assimilate them (as the new economic mechanism is introduced).

First, the earnings of the cooperative members depend directly and completely on their monetary proceeds. Depreciation, the cost of raw materials and energy, taxes or the price of a license, and rental are deducted from those proceeds. The cooperative divides the remainder into a payment fund and profit. No quotas for paying for the labor or distributing the other funds and reserves have been established for them. Let us take as a constant value the price of a license or rental. Then, the better the

commodities, the higher their quality, and the greater the quantity of them, the more considerable the monetary proceeds are. The more efficient the technical and technological production, the smaller the expenditure of past labor. As a result, the funds for payment of labor grow. The smaller the number of employed workers, the greater the earnings that each worker has. It becomes possible to recruit the necessary, skilled cadres and to attract inventors.

Naturally, profit is not forgotten: without profit, there is no technical progress, no expansion of production, no winning of new markets; not only can one not increase the earnings, but one cannot preserve them, because in order not to lag behind or simply maintain one's position, it is necessary to keep running. If a particular cooperative marks time while others are running ahead, it cannot withstand the competition and it will lag behind. Successful development—"running" in the economic sense—does not necessarily promise everyone an increase in earnings every time. In economics, the biggest plus sometimes arises not from a straight-line, even movement, but from the ability, whenever necessary, to put on the brakes, to take a step backward, which later will be compensated for by two steps forward. Frequently, in order to find something it is necessary to lose it. In addition, one should not preclude the possibility of failures and losses. By knowing about them ahead of time, it is important to know how to "depreciate" them.

Two methods exist for this purpose. The essence of one of them lies in not rushing to spend or to "eat up" the earnings during successful—or, one might say, "good-harvest"—periods, but to put aside some of those earnings in an insurance fund, or to give out all those earnings completely, but warning the workers directly and clearly that during any "poor-harvest" periods those workers themselves will have to correct the situation with their income. It is necessary to have a direct relationship with the results, up to and including the responsibility for losses and debts. Credit for which the deadline for return or payment has come must be compensated for at the expense of the cooperative members, as is the situation with the payment of licenses. The other method of stabilizing the pulsating economic cardiogram of the cooperative members' income is to compensate for a drop in the payment of labor with the aid of credit (bank and commercial).

In the state sector, wages are more conservative: practically speaking, there is a guarantee of the previous year's (base) wage fund, and the possibility of having the payment of labor take a big leap forward or the risk of a sharp reduction are precluded. There are no major gaps between the high and the low, but there are also no instances of overinsurance. Everything is very simply. But it is well known that sometimes simplicity is worse than thievery. The incentives cease operating. It seems that, sooner or later (preferably sooner) the payment for labor in the state sector will adopt what the cooperative system is already employing.

Secondly, thinkers in the cooperative system are working ceaselessly and dynamically. If a need reveals itself somewhere in the work to be done, the cooperative rushes to satisfy it. And it publicizes and advertises its labor and most often it attempts to finish the work quickly, with a consideration of the customer's desires. Services that one could never have dreamed of are springing up like mushrooms after the rain: people are repairing tires, making wreaths... Recently cooperatives have been formed to reinforce apartment front doors to prevent thieves from breaking them down. Children are being taught how to draw at cooperatives, coaching is being organized there, as well as gymnastics classes and services for senior citizens. If people want shish-kebabs or pita bread, be my guest! A trade cooperative has been created under the Moscow Soyuzpechat Production Association; on a commission basis it sells various items at night—newspapers, magazines, souvenirs, postcards, trinkets, etc. Cooperatives help people to find new apartments. Vorkuta miners have begun growing mushrooms in worked underground mines on cooperative principles.

After beginning with mushroom-filled appetizers, the cooperative changed over, as that initial and at first most accessible market was saturated, to more fundamental activities: to scientific-technical research, to the retraining of administrative cadres, etc. There have been a very large number of recommendations concerning the creation of cooperatives. Like tiny rivulets they find their path to the goal even when there are underwater currents in the opposite directions. And what if they did not exist?

Irritated voices ring out: isn't there a lot of sweat and muscles in the cooperatives' services? Quite a bit. Or, rather, there is as much as is needed, and a lot of sweat is indeed needed. But, in general, are we really to believe that the most beneficial labor is always difficult? On the contrary, mankind has been transferring more and more of the physical efforts onto the shoulders of technology, and has been concentrating on intellectual activity. Measuring the benefit and the effectiveness of labor by means of the number of hands, shovels, and wheelbarrows is going back to the Stone Age. At the present time the chief advantages of man's effective labor are the ideas and inventions. And they should be paid for as one would pay for multiplied simple labor, rather than for divided. When the state sector includes in the economic crop rotation fallow land that has been neglected for 60 years—fallow land of entrepreneurship that has been atrophied because of the punishability of initiative—we shall see the disappearance of yet another current advantage of the cooperative system, which advantage arises in a number of instances from the monopoly position or quality, and the overall earnings will even off at the level of high income.

Thirdly, the effectiveness of labor in the cooperative system is in most instances high, and in the state sector it is lower. This can be seen graphically from the example

of the gold-prospecting artels which, for a very long time, have been earning more money than the state management, but which also do more work. Who, then, is "nibbling away" at society? The dynamic and able prospector or the passive worker at the state enterprise? Whose income, in terms of each unit of simple labor, is produced with increased effort? The conclusion is so obvious that it would scarcely seem necessary to formulate it or comment on it. If the workers in the state sector worked the way the people in cooperatives do and did not count the money in other people's pockets, they could get their own money. And that definitely will happen when true cost accountability is introduced.

#### **From the Democratization of the Cooperative System to the Democratization of the State Sector**

In accordance with the Law Governing the Cooperative System, that system is incomparably more liberating than the state sector in renewing the output and variety, up to and including the complete changing of the area of specialization; prices (other than those for commodities that are manufactured from state raw materials, or output executed to fulfill state production orders) are established independently. The state production orders themselves are placed with the cooperatives only on a voluntary basis, that is, in practically all instances they are economically beneficial. The cooperative system does not make any payments to the budget for funds, because it operates on principles of self-financing. As for state enterprises, although they also operate on principles of self-financing, they do make such payments. And one would scarcely say that their system is better.

It is also indisputable that requiring the state enterprises to pay for all the production assets, including those created at the expense of "their own" income, and the lack of that payment as applicable to cooperative assets, puts the state sector in relatively worse conditions.

Frequently the cooperatives purchase production waste from state enterprises at very low prices, since the labor collectives at those enterprises are not yet sufficiently dynamic in commercial activities. One Moscow factory sold a cooperative tobacco waste at a price of 80 rubles a ton. After repackaging it, the cooperative "re-exported" that output at a price of 960 rubles. Since they do not have a deeply felt self-interest in saving the nation's kopeck, the state enterprises frequently agree to pay for cooperative services at overstated rates. For example, the Fankhimprom Association releases shavings to the Ural cooperative at a price that includes nonexistent shipments by rail transport, and lumber is sold at a price of 5.40 rubles per cubic meter, although the enterprise itself pays the timber organizations 9.80 a cubic meter. It turns out that these "little presents" to the cooperatives have as their basis the "services" that are accepted by unconscientious workers in the state service organizations. With the changeover of the state sector to real cost accountability, we shall see the elimination of these and other cracks through which the nation's funds have been falling.

The cooperatives continue to have depreciation funds. In the sphere of the state sectors they are redistributed, and this creates the opportunity for people to have a dependent's way of thinking and it contradicts cost accountability. For cooperatives it is planned to compute interest for all the temporarily available money that is kept in banks. For state enterprises this interest is computed only for a part of that money: the balance in the funds for the development of production, science, and technology and the social-development funds. In order to provide services for themselves, the cooperatives select the banks themselves, or create their own (it is planned to form cooperative insurance institutions that will be able to introduce new, profitable forms of insurance). State enterprises do not have these rights. All the cooperatives that have currency proceeds receive currency funds; the only state enterprises that have this right are those that are authorized to carry out export-import operations directly. All the cooperatives can involve in production the funds provided by their own workers, but state enterprises can do so only a "piece-work" basis, in accordance with special decrees. The cooperative system is authorized to hire any retirees without reducing the size of the pension paid to them. State enterprises are allowed to do this only with respect to certain categories of workers: for everyone else, there is a limit to the total amount of pension and earnings. The cooperatives are free to hire persons who want to work more than one job, and they do not have any limitations about paying them half the rate. The state sector is also "squeezed" in using the labor of persons working more than one job.

The enterprises belonging to the cooperatives also do not bear the burden of the unpaid allocation of manpower and equipment to render sponsorship assistance to agriculture or the urban economy. The cooperatives are not tortured by having to submit a large number of reports. They submit to the local agencies information about the work volumes, expenses, income, or (rather than also) other information. And that is all. The superior cooperative levels are formed with the voluntary consent of the primary links and they serve to execute their overall functions. All these things economize the overhead expenses, including the administrative ones.

To a large extent these advantages that the cooperative system has will "melt away" in proportion to the implementation of the letter and, most importantly, the spirit of the Law Governing the State Enterprise, and with them there will be a gradual disappearance of the sharp preponderance of the cooperative earnings over the state earnings. They will "melt away" not in the sense of forcing upon the cooperative system the state forms of administration, but in the sense of having the state production relations absorb the truly democratic cost-accountable methods of administration that are being largely formed in the modern cooperative management. This will not cause the "cooperativizing" of the state sector, but will only help to purify it of the bureaucratic excrescences and perversions, and will accelerate the

process of getting rid of the departmental and local interests that have been eroding it, and getting rid of the disruptions in the mechanism of implementing the properties of state ownership which are completely untypical of it as such. The law governing the cooperative system has been "fertilized" by the law governing the state enterprise. But it has gone farther ahead. What is needed now is feedback.

The next item on the agenda is the enrichment of the state sector with the production relations that have been firmly established for the cooperative system, obviously with a consideration of the specifics of state production. The time to be concerned about the equal rights of the state sector is, in the city, with respect to the new cooperatives, and, in the rural areas, with respect to the modern-type kolkhozes.

#### Bureaucrats and Profit in the Cooperative System

Bureaucrats harm everyone. But they vex the cooperative system more than they do the state sector. Therefore the cooperatives have... superprofits. It is not only at first glance that this seems to be paradoxical, because the more bans that are placed on the cooperative system and the less that it is developed, the more considerable the monopoly effect to be derived by those who have made the "breakthrough" to a place in the sun. The members of the first cooperatives trade not only in their own output, but also in settlement accounts, in the intermediary functions with respect to the unformed cooperatives and the persons engaged in individual labor. If the bureaucratic barriers fall, the income of the cooperative members will calm down and the number of various kinds of shady operators in them will decrease.

The law governing the cooperative system eliminated the very concept of the authorization of cooperative activity. That activity has been authorized, and the bans have been removed. All that is required is the registration document, that is, the drawing up of by-laws at the executive committee of the rayon or city (including rayon in a city) soviet of people's deputies at the location of the permanent agency of the cooperative, and one month is allocated for this. This is needed in order to verify that the cooperative that is being formed corresponds to the legislation that is in effect with regard to the type of production, safety conditions, production hygiene and sanitation, fire-prevention rules, protection of natural resources and the environment, etc., and also to register it as a tax-paying entity and include it in state statistics.

The soviets of people's deputies and other state agencies are obliged to help the citizens who have expressed the desire to create cooperatives, by providing them with the necessary information concerning the types of output (operations, services) for which an increased demand is being felt in the particular area at the particular time. Nor have the cooperative members been dozing. For example, in Moscow they created the Fakt cooperative

which provides to other cooperatives, or to initiative groups that are only beginning to create a new enterprise, information concerning efficient recommendations from state enterprises and the opportunities for purchasing raw materials and equipment, and protects them from mistakes.

In general, practice requires the development of various forms of informational support for the cooperatives that are arising and functioning. This would be helped, in particular, by regularly published items concerning the personal income of their members (subdivided by branch, regions, and types of activity).

People say that the more cooperatives there are, the worse the shortages. So right now, they say, they are buying up scarce items: fabrics, buttons, etc. But what will happen if the increased demand for the commodities produced by state enterprises causes a natural increase in their supply? Or if we see the realization of the fantastic hypothesis relative to the abundance of services: the prices for them will fall to a level when the members of the cooperatives will be unable to pay for the buying up of state commodities? The best thing would be for the shortage to begin to encourage cooperative production that will encompass the entire chain of commodity production, from the initial materials to the finished articles.

There is also, finally, such a method of easing the shortage as raising the prices of the scarce item according to the extent that the demand exceeds supply. Then the excess will die down. And the additional money obtained will be used to increase production, that is, to eliminate the shortage not only under the influence of financial levers, but also by way of the direct increase of natural, physical values.

#### The "Advantages" That Must Disappear

There are also "advantages" to the cooperative system which will gradually be eliminated. Cooperatives do not yet pay any rental charges. State enterprises do not pay them either, but all their "excess" profit is taken by the state, whereas it remains at the cooperatives. Therefore a cooperative that provides housing for people vacationing on the shore of the Black Sea receives superincome not as a result of its own work, but "from God." That superincome is also acquired by those who make intensive use of the fertile private plots. The forthcoming introduction of rental for natural resources will eliminate this injustice. This does not pertain to income that is derived from new capital investments in territories or plots of land which are better or average with regard to their location, or in places where mineral resources are being extracted. They belong to those who will be concerned about technical progress. Under conditions of self-financing, the labor collectives do this. And they should keep this income.

In addition to rent, the cooperative enterprises must pay taxes. Otherwise they will again prove to be in a privileged position as compared with the state sector. Cooperatives pay taxes. But to a lesser extent than the deductions paid by the state sector. For example, the cooperatives engaged in the providing of public nutrition and the production of bread and confectionery products pay into the budget income tax in the amount of 10 percent of the income, whereas the corresponding enterprises in the state sector, on average for the national economy, deduct 21 percent. The quota for deductions from the income derived by cooperatives in the personal-services area, to be paid for the benefit of society, is one-tenth that of Glavmosbyt. There also exist tax discrepancies between the "new" cooperatives and the "old" consumer cooperative system. The new ones pay a tax up to the same 10 percent, but the consumer cooperative system pays 35 percent.

The situation that develops is that the cooperatives pay both rent and taxes. Isn't that too much? No, it isn't. These are different things that are not mutually exclusive. But in order to prevent this "too much" situation from happening, it is necessary to have well-substantiated payments that are neither understated nor overstated. It is necessary, on the whole, to increase them, but to "enrich" the system of benefits: not to tax the deductions to be paid into the production-development fund, and possibly to lower them for the social-development funds to be expended for the construction of housing, sanatoriums, and clubs. It would be correct to differentiate among taxes imposed on the cooperative system on the basis of the individual branches or areas of its activity, and, in particular, to reduce them for scientific-technical cooperatives, as well as those persons who are engaged in the collection and reprocessing of waste products. It is sometimes suggested that tax benefits be employed for cooperatives that sell output at state prices. But if the cooperatives act this way because it is a natural outcome, this activity should not be considered as something worthy of encouragement.

It is planned to tax the personal income of the cooperative members by employing a progressive tax. In the state sector, however, the tax on earnings that exceed 100 rubles a month is constant, and constitutes 13 percent. The principles for taxing the cooperatives would seem to be better substantiated and deserving of broad extension in the state sector. But it is precisely the principles, rather than the scale itself, which has been rising too sharply. One also should not forget that the high income of the cooperative members during some periods is depreciated by the low income during other periods, and therefore one should either tax the averaged results over a period of many years (which is difficult to do), or think about bridling the "appetite" of the scale.

The excessive increase in taxes across the board leads to a regression in results, and develops into a powerful disincentive. This is also unprofitable for the public. The

slowing down of the production growth proves to be an inhibiting factor in reducing the prices and the competition, and this additionally preserves the high prices.

Excessive taxation creates a damaged economic situation, when, for purposes of reducing taxes, it is beneficial to attract extra workers into the cooperatives. Violations of the law are also possible: the formal listing of employees in order to give them some of the earnings, so that the rest can be paid to the cooperative members without increasing the taxes imposed on them.

High income tax also regulates the income from individual labor activity. The tax has a type of progression, the maximum size of which is 65 percent (of a total amount exceeding 6000 rubles a year). Inasmuch as the income from individual labor activity is used to purchase equipment and to form working capital, this income is very similar to the category of gross income, and the taxation of this income does not correspond to the task of regulating the payment of labor.

At one time orchards were chopped down not so much by administrative orders, as by immoderate economic levers. Let us hope that they do not chop down the cooperative system also. In order to prevent that from happening now, it is necessary to develop and introduce a calmer scale of taxes on personal income, and to compute their average-monthly total not for the quarter of the year, but for the year (or, for production entities with a prolonged cycle, for the entire period of that cycle), and, when dividing the property of a cooperative to be eliminated, to include that total amount in the entire period of creation of the production assets and tax it after totaling it with the wages paid during that period.

The cooperative system, unfortunately, does not know of any payments for labor resources, although the state has invested large amount of money to prepare them (investment in secondary and higher education). The cooperatives do not pay a tax on traveling expenses (state enterprises pay it to the extent of 0.3 percent of the total production volume).

Cooperatives do not pay the turnover tax. For example, the Ustyuzhanin cooperative attached to the artistic woodcarving factory (Velikiy Ustyug, Vologda Oblast) does not pay this tax, but the factory does.

The wholesale prices of state raw materials purchased by the cooperative system in order to produce consumer goods or to render personal services to the population will be increased by special coefficients or brought to the retail prices, or where they do not exist, to the contract prices. This is linked with the fact that wholesale prices currently are below retail prices not only by the "wholesale" factor, but also frequently by the turnover tax. Therefore they are not so much wholesale prices as preferential ones, and the advantages for the cooperative members must be removed (the state sector—by means of the differentiation of the deductions from profit to be

paid into the budget—do not have these advantages). When the primordial meaning of wholesale prices is returned to them, they will prove to be lower than the retail prices only as a consequence of the wholesale nature of the purchases. There will also no longer be any necessity for coefficients that raise wholesale prices to the normal level.

Yet another argument can be given against the increasing coefficients applied to wholesale prices of articles purchased by the cooperative system—those coefficients do not exist for articles acquired by the state sector at contract prices (in particular, for new technology). Taking into consideration the course aimed at developing the sphere of contract prices in the state sector, the importance of this factor will be intensified. The proposal is made that maybe one ought to act in exactly the reverse way: leave the coefficients for the contract prices, eliminating them in the event that the latter are sold in accordance with state prices on the price lists. This alternative deserves attention, inasmuch as it is better than the indiscriminate application of coefficients (it narrows their sphere). But it is complicated, since, both the state enterprises and the cooperative enterprises simultaneously produce output that is to be sold both at contract prices and fixed prices. The double accounting mode is a labor-intensive job and one that opens up possibilities for decreasing the output volumes where increasing coefficients are employed.

One would also scarcely consider to be justified the fact that many commodities arrive at the cooperatives at retail prices, but at the state sector at wholesale ones. For example, the cooperatives pay 70,000 rubles for a KamAZ, but the state sector pays 17,000 rubles; and the cost of diesel fuel, respectively, is 30 kopecks or 6 kopecks a liter.

The payment made by the cooperative system for fixed assets leased from state enterprises is usually oriented toward the size of the depreciation deductions. This reduces the size of that payment, which ought to include also part of the lessee's profit (equal to the interest for the resources transferred to him), inasmuch as otherwise the leasing of the assets will not give the owner any benefit. It is even less justified that the fixed assets of state enterprises are transferred to certain cooperatives gratis, not even at the price of scrap materials, although they are in a "viable" condition and make it possible for the cooperative members to obtain a large amount of interest rather quickly. On the other hand, one encounters instances when the leasing of items to cooperatives is accompanied by interference in their internal affairs, by a kind of extortion such as providing the lessors meals at preferential prices, by raising the overhead expenses, and by attempts to regulate the makeup of the cooperative members. Leasing contracts are insufficiently stable. The cooperative members see a way out in leasing the land for a long period of time and constructing their own buildings on it and purchasing the equipment. It is time to establish rigid rules for leasing assets from state enterprises.

If the cooperative manufactures output from state raw materials, it must buy them at centralized prices. Inasmuch as a large amount of the output requires state raw materials, an extremely large share of cooperative production is subject to the action of centralized prices. This is not always rightful, because state raw materials, as was previously mentioned, are sold to cooperatives at a markup, and in the future they will begin to purchase by them at the full price, and frequently the contract prices will prove to be better. Incidentally, it will also be that way for state enterprises producing similar commodities. If the cooperatives only resell articles produced by state enterprises (cigarettes, beverages, etc.), they have the right to count only on a fixed markup added to the retail state price.

#### **Backslidings Into Encroachment Onto the Cooperative Sector**

With regard to a number of components in its economic activity, the cooperative system is in a state of being encroached upon. It is not served by Gossnab (other than by the guaranteeing of state production orders). Of course, the development of the wholesale trade in production goods at normal prices will automatically allow the cooperatives to purchase state raw materials. But that will not occur until sometime later. The agencies of USSR Gossnab have been assigned the task of rendering a large amount of assistance to the cooperatives: teaching them how to trade, and moving in a time-responsive manner to locate resource reserves. The obtaining of the necessary material values by the cooperatives will be promoted by the commercial centers to be created as part of the Gossnab system, and by the places for the rental of technical means. But one should not perpetually orient the cooperatives toward the mobilization of non-disposable items or the material values that state managements have in excess of quota, toward output manufactured in excess of their planned assignments, toward recycling, or toward the raking through of other dumps and garbage.

There is a need to defend inventiveness in the sphere of cooperative activity, to defend ideas and developments that make it possible to create new commodities, and to offer new services. Apparently it is necessary to consider that the instances in which innovations conceived by pioneer cooperatives have been borrowed without payment by other cooperatives or by enterprises in the state sector are illegal, to view them as poaching, and to exact large fines from persons who are refusing to buy the licenses and transfer that money to the person who has suffered the loss.

The advanced people in the state sector and the cooperative system equally deserve not only material incentives, but also psychological ones: the awarding of decorations, medals, and honorary titles. This has not yet

been done, with the exception of paying incentive awards to advanced workers of kolkhoz cooperatives and consumer cooperatives that have been in existence for a long time.

#### **Backsliding Into Excessive Regulation**

There exist limitations that are excessive both for the state sector and for the cooperative sector. In cooperatives, as in the state sector, a calendrical sequence has been introduced for paying the settlement documents pertaining to payments to the budget, banks, supplier bills, and the payment of the labor performed by one's own workers. Economically, however, a different sequence in paying them could prove to be better substantiated and more profitable. It is recommended that the cooperatives be authorized to sell shares to their members, as well as to state enterprises. Gradually the state enterprises also begin to employ shares. They are spread among other state enterprises (joint agroenterprise in Podolskiy Rayon, Moscow Oblast; Provesin Agrocompany in Lvov; etc.) and the workers at the particular enterprise (Konveyer Plant in Lvov; Bauskiy Rayon Personal-Services Combine in Latvia; etc.). But the shares are not sold to the public. It would be desirable to think a bit about whether the limitation that has been made is justified. Especially since we have seen the experience of the Adazhi Agrocompany in Latvian SSR. In addition, the nominal and the real value of the shares do not coincide. If authorization is given to sell them (and logically there is no reason why one should refrain from that), the trade in shares can be carried out only on the basis of their real value. Obviously, this too must be legislatively regulated in some way.

The procedure for eliminating cooperatives in the sphere of production and services also needs the corresponding regulation. For the time being, the assets that remain are practically sold out, and the obtained proceeds are distributed among the cooperative members. When kolkhozes are eliminated, their assets, property, stock, etc. are transferred, in accordance with decisions made by the appropriate councils at the kolkhozes (associations), to other cooperatives and other enterprises (organizations) for agricultural production. To what extent is this discrepancy justified?

#### **Both Competitors and Allies**

The total set of measures that have put the cooperative system and the state sector in equal start-up conditions is supposed to guarantee real competition between them, as well as the appearance of joint enterprises and the development of import. An active effect can also be exerted by consumer unions, which defend their own interests when determining the variety of commodities and which influence their quality, prices, and the procedure for compensation of losses. Unions such as this exist in Hungary, Czechoslovakia, Poland, and other countries.

The person who will become victorious in the competition is the one who works more, who works better, in a more inventive and economical way, who fulfills by deadline his pledges to the suppliers and consumers, and who sells more cheaply. Yes, more cheaply. The opinion that the cooperative system also trades at prices that are higher is not substantiated. As shortages are overcome, the enterprises that raise their prices lose their market and become bankrupt. At best, they have a slowdown in turnover and a decrease in income. It is especially important to act promptly in reducing the prices of balances of commodities that go out of style rapidly, perishable products, and cumbersome items that crowd the plant and trade areas. Therefore we already have cooperatives that have been lowering their prices. For example, the Alina footwear cooperative in Armenia sells women's shoes more inexpensively than the state enterprises. In Kaluga the meat that is sold by the consumer cooperative is cheaper. The Mertskhali cooperative attached to GSSR Gosnab sells output at a price 30 percent cheaper than the state price. The Vtorpolimermash cooperative in Kiev delivered at half-price to the Sumy Machine-Building NPO [Scientific-Production Association] imeni M. V. Frunze a line for multicolor polyethylene bags. It is no less substantial that the cooperative prices are below those of individual sellers. For example, the Uskoreniye Trade-Preparation Cooperative sold at the Gatchina market pork fillets at a price that was one-half the price asked by individual sellers at the markets in Leningrad. And this, of course, is understandable. The cooperative guarantees a saving of the specific expenditures in trade by increasing the scope of that trade; by reducing prices, it wins the market from the individual sellers who are unable to compete. Wherever the state prices prove to be higher than the cooperative prices, they must also come down.

Also acting as a kind of price are the warranties of output quality, the terms for compensation in instances of failing to meet (extending) the deadlines for the execution of production orders, the benefits offered to individual categories of customers, to permanent customers, etc. The Signal cooperative in Moscow, for example, warranties the operation of repaired imported radioelectronic equipment for a period of up to two years (depending upon the type of equipment), but in any case it is longer than the warranty period given by state enterprises.

Obviously, in the final analysis there arises a gravitation by the various sectors of production to their own economic "niches" and there develops a definite division of labor between them, which is based on the correlation of the strong and weak sides in the particular sphere of activity.

The state form of ownership is characterized by a higher stage of socialization of production; and the cooperative form of ownership, by a lower stage of socialization. The latter either has not yet reached the higher stage, or it has not been called upon at all to reach it. The articles whose

production requires a high technical level and large amounts of "capital" will most likely become a specialization of state enterprises that possess powerful technical and financial resources, that are capable of reducing the costs and the prices by means of mass production. But there exist limitations for concentrating production in the state sector: as the concentration increasing, the production expenditures decrease not infinitely. Beyond a definite point they increase, including those as a result of surpassing the manageability threshold; there is an increase in the shipping distance for raw materials and the finished output, and, as applicable to perishable articles, the expenditures for specialized means of transportation. Concentration, at a certain stage in its development, leads to a monopoly, and this freezes or curtails the competition and is fraught with a slowing down of progress. Thus, the superiority of large-scale production occurs to a definite limit.<sup>1</sup>

Cooperatives feel confident in producing nonstandard equipment and specialized gear, in producing furniture and manufacturing clothing on the basis of orders received from the public, in carrying out production experiments and scientific experiments, manufacturing experimental models of new technology, building homes, dachas, and cottages according to individual plans, in the artistic handicrafts, and in making souvenirs and trinkets.

Cooperative production is effective in implementing such a principle of the placement of the productive forces as closeness to the consumer. It is appropriate in the "small forms" of personal services provided to the public, in trade, public nutrition, the providing of rental, medical, legal, consultative, construction-planning, designing, transporting and forwarding, and tourist and hotel services, in the collecting of waste products, etc. Bread, for example,—a mass-produced, cheap product that is guaranteed access into the trade system—will be baked by state enterprises; home-made bread that is made according to special recipes will be made by cooperatives and individual producers.

The cooperative system has also been successfully fulfilling its economic functions from the point of view of bringing the production closer to the raw materials. It has been promoting the processing of perishable fruits and vegetables and their direct delivery from the field to the store shelves.

A special form of cooperative action is the organizing of joint management: for the creation of single finance-and-credit funds, for the construction and operation of housing, boarding houses, garages, and private plots, and for the sale and purchase of commodities. Cooperative production (as a variety of small-scale production) is especially effective when something has to be made, built, repaired, or hauled quickly. It can be viewed as a quick-reaction force.

Summing up what has been stated, one can conclude that in a number of branches small-scale production is able to compete with large-scale. In the overall national-economic complex, the cooperative form, in a number of instances, can prove to be not only viable, but also the preferred form of ownership. Then there will arise the justifications for the serious expansion of the sales of production assets owned by the state enterprises to the cooperative system. At the same time, today's miraculous effect produced by the cooperative system's wand, an effect that turns any state enterprise that is operating at a loss into a profit-making one, is lessening. The cooperative system can be viewed as a panacea only when cost-accountability in the state sector has been neglected and, in essence, is not in operation. But in the event that it is developing to the level, in particular, of the rental-license state contract, large-scale state enterprises will be able to—and must—heal themselves, and if they are incapable of doing this, no one will be able to help them.

These lines of demarcation between the state and cooperative sectors are not absolute. They do not preclude, but, rather, presuppose their reciprocal economic competition "on common fields." Whoever proves to be the loser in this competition, the person who, in the final analysis, will be the winner is the consumer: all the Soviet workers will win.

#### Footnotes

1. V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], Vol 4, pp 110-111.

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## EDUCATION

### Need To Improve Continuing Education Training Cited

18280013a Novosibirsk EKONOMIKA I  
ORGANIZATSIYA PROMYSHLENNOGO  
PROIZVODSTVA (EKO) in Russian No 8 Aug 88  
pp 115-123

[Article by L.N. Lesokhina and T.V. Shadrina, Scientific Research Institute of General Education for Adults of the USSR Academy of Pedagogical Sciences, Leningrad: "Are Adult Education Centers Needed?"]

[Text] Adult education centers were first mentioned in the press in 1976. The movement aimed at converting evening schools into a new type of institute, one which combined general professional and the cultural development of a personality, was conceived in Belorussia, it was employed in the Ukraine and thereafter in other regions of the country. These centers are referred to as prototypes for the organization of continuous education. And they are still being discussed in terms of being a long-suffering experiment or a deviation from reorganization of the educational system—such a view would be appropriate if we were discussing a past phenomenon. But adult education centers continue to operate and the number of their followers is increasing. A thoughtful analysis of the experience of these centers will aid in organizing a system of continuous education.

We have somehow already become accustomed to the fact that man himself searched for a place where he can learn. But today it must be different: the educational institutes are obligated to introduce themselves into human activities in a more active and direct manner. Let us examine some typical situations.

The first situation. You live in a small town where you completed work at a secondary school and you would like to study further at a VUZ or technical school. You are aware that the given region needs agricultural specialists, cultural workers and public catering workers. Theoretically, you could enter any one of these fields (the desire is there). But actually the town lacks the educational institutes or training courses required for realizing your plans. What is to be done? Move from the area and find a region where it is possible to obtain the desired education or profession, live for years at a great distance from your family and later reject the thought of living in your native area. This well-trodden path is followed by many. And we are told by our readers that it is a natural path to follow. What is the alternative? Who will be satisfied with the "individual" orders of a territory (today small groups of certain specialists are needed and tomorrow—other groups). Is it not possible to open up for this purpose, in a small city, another technical school, VUZ or PTU [vocational and technical school]? It would be inadvisable, uneconomic and unprofitable. This is

true if we accept the logical reasoning behind the traditional organization of education, in which the functions of educational institutes are divided very strictly among the departments and territories.

Let us imagine that in the region there is a place where it is possible not only to study at a VUZ or consult a correspondence student, but also to undertake initial professional training. Do you wish to try teaching? Undertake initially "teaching classes," where you will receive a diploma qualifying you as a teacher for a pre-school institute. Are you attracted to medicine? There are "medical classes," but you must commence with the position of junior nurse with an elementary medical education. Thus you will train at a VUZ and consult in keeping with your training program (there will be no need to undertake other work or to ask for a permanent leave of absence from work). And initially you will be able to work at the basic level of your selected sphere of activity. This will be profitable and convenient for all.

The second situation. The words of students who have not adapted themselves to work, who shirk their exercises, who use drugs and who have become "difficult" juveniles are becoming more alarming in nature. Instead of spiritual interests—shady occupants of dark corners of a park, instead of technical creativity—an inclination to steal and sell, instead of active work—idleness. What is to be done with them? It is too early to arrange work for them and in the absence of references they cannot be accepted for evening school. They do not wish to enroll in a PTU even if one was available (they are not to be found in all areas) and this is dangerous: such shortcomings tend to become aggravated. Is this a blind alley?

A continuous education system requires a subunit which would accept idlers into a school, arrange work for them (in a good working collective) and teach them in accordance with a program for a general educational school and simultaneously a profession. The profession would be provided not through a PTU regime, where professional instruction can be dragged out for years, but rather quickly and in a high quality manner (because the individual already occupies a working position).

The third situation. The life styles of people in various corners of our great country differ. Whereas in Leningrad and Moscow an artist-designer is not a problem, at times it is practically impossible to find one in a settlement along the BAM [Baykal-Amur Trunkline]. The work of practical workers in one region is ensured by a training base and yet in other regions there are no such training bases. The law governing individual labor activity has entered into force and the possibility now exists of untrained artisans offering unappealing hand-made articles, with tutors accepting money despite the fact that they are unable to either learn or teach. Here we have in mind not so much youth but rather the tremendous army of old and elderly people who wish not only to listen to lectures on methods for retaining their vitality but also

on how they can truly live and work. If a pensioner feels himself to be fully able-bodied, then he is prepared to learn even a new profession. But where? Theoretically—wherever it is suitable to do so and yet practically—a simple answer is not always possible for this question.

There is also a need for augmenting certain knowledge. Quite often it arises on a utilitarian basis, for example in response to a specific life situation: preparation for marriage, for motherhood, for caring for a sick person, for furnishing assistance to children in their studies (for specific subjects) the distribution of a family budget and many others.

Thus we can list a number of situations which serve to prove that by no means is every requirement of society and each individual person satisfied by institutes for continuous education. It turns out that there are objective requirements of people for learning, but subjectively they are not always recognized or realized, since they nevertheless cannot be carried out. What is the solution? In our opinion, it requires the creation of adult education centers or adult schools (distinct from the mass organization of evening schools, based upon which these centers arose).

How did it happen that this new type of educational institute was initiated by the evening school system? Roughly prior to the 1970's, evening schools were attended by those who, owing to difficult family circumstances, were unable to complete their daily general educational studies. And thereafter an unhappy contingent (generally those who did not desire to study owing to a low success rate or conflicts with teachers or schoolmates) began to predominate, a group which defined the face of the evening school system and its place in the system of national education. The situation became aggravated, since nobody was released from the plan for selecting the teacher collective.

The weak evening schools attempted to shift responsibility to enterprises, and social organizations which clearly were not interested in training their workers. In the worst schools there were lists of "dead souls" and serious financial violations. But the strong evening schools found new operational forms which proved to be of interest to adults, since they met their requirements and aided them in realizing their life's plans. The improvements in skills, the development of a family-domestic culture and the organization of leisure time for youth and adults did not merely attract new contingents but in addition it clearly proved why it was necessary to learn and how this could be carried out. In the schools, people wished to learn who already had diplomas but who desired to expand their horizons and improve their professional culture. The atmosphere improved substantially, the population began to display more respect for the evening school and its social status was raised. In expanding its functions in carrying out work with students, in attracting the non-traditional contingent and in

learning to work with it, the evening school gradually progressed into a multiple-profile educational institute of the new type and towards a flexible sub-system for continuous education.

The leading principle for organizing such educational institutes—orientation towards the social requirements of a territory and the professional interests of the population. For example, the director of the country's first adult educational center (the city of Vetka in Gomel Oblast), honored teacher of the BSSR A.A. Bondarenko, had the habit of always viewing all of the more important rayon problems from the same standpoint—how could the school best aid the rayon and its people? A need existed for rapidly training master-trouble shooters for the livestock husbandry complexes and women poultry operators—the school opened up appropriate courses and organized a system of general agro-zootechnical training. The rayon had a poor retention rate for newly arrived personnel—the school organized training courses at VUZ's and technical schools with a break from production and also courses for correspondence students. Each year more than 40 individuals undergo training for entrance into five departments of the Belorussian Agricultural Academy, a cultural-educational institute and highway-construction, library, cooperative and pre-school educational technical schools.

Adult education centers are capable of responding to changes in the socio-economic situation. They are inter-departmental institutes by their very nature. They can operate on the basis of self-recoupment, providing a broad spectrum of paid services for enterprises and the population. In particular, they will teach, at their own expense, the owners of vehicles and private plots, various skilled craftsmen, tutors, home teachers, members of cooperatives and others. A center can provide training for from 100 to 2,000 individuals.

At the present time, certain enthusiasts have made recommendations to commence integration with a kindergarten and to organize training in a manner such that instruction is provided not only for individual juveniles or adults but also for entire brigades and families. And not from time to time but rather on a permanent basis. Obviously, a check should ideally be carried out initially on this type of training in regions which have small populations and which are located at some distances from the central portion of our country. Along the BAM, in the settlement of Kicher, the director of a school for adults A.N. Sidorkin is already working on the creation of an education center for the population.

Such adult education centers are not included in the traditional notions regarding national education organs. Along the approaches leading to "departmental barriers," the initiators of these centers encounter simultaneously both indifference and coldness. As a rule, this indifference applies to the experience itself, which is properly referred to as leading experience, and the coldness—to any attempt to somehow relate the accepted

"norms" to this experience. Moreover, indifference is not always being manifested. The organs of national education, in exercising their authority over the centers, control them in a stern and fault-finding manner using the evening school as their yardstick. And although the centers differ from the standard evening schools, the latter have been advised to utilize the experience of the centers in a careful and cautious manner. The approach employed by Minpros [Ministry of Education] for the USSR and the RSFSR was indeed a cautious one. Minpros for the BSSR, which at one time actively supported the initiators of this undertaking, had changed its attitude. Why?

All those mechanisms which support the new undertaking were placed in operation. In addition, the Ministry of Education, which was historically associated with the development of overall literacy and the organization of non-scholastic education, limited its activities exclusively to the school and became essentially a ministry for schools, eliminating in the process its responsibility for national education on the whole. Some officials prefer generally to separate themselves from the centers and to have nothing to do with them. Thus the former leader of the Department of Evening Schools of the School Administration of USSR Minpros N.D. Malakhov, in many of his articles, referred to adult education centers as the future for evening schools and to the evening school as being the base for continuing education. He became involved to a definite degree in the experiment carried out with the centers, he acquainted himself with their work in the various areas and he organized conferences for studying the experience accumulated. However, he did not prepare one administrative document in which it was stated directly that a need exists for combining the overall professional and general cultural development of a personality. However, it is our opinion that the only solution for evening school (expanding the functions, crossing the departmental thresholds and

becoming more useful and more needed) has been exceeded. Or it is time for it to be exceeded.

The departmental approach has "grown" from the standpoint of both scientific reflection and social opinion. As a result, scientific workers and society conceive the very same categories as do the departments and in the process they experience a deep mistrust of the new school for adults and a nostalgia for the "evening schools" of the post-war years and the 1960's.

Nevertheless, there are collectives in some regions of the country which are "bridging the gap," after learning of the possibilities of restructuring. In Nikolayev there is G.F. Cherednichenko, in Vetska there is A.A. Bondarenko, in Minsk there is I.L. Romanova and M.M. Tarasevich and in Novaya Odessa there is A.G. Rudenko. They all began knowing that the situation would be difficult, that the new statute governing evening school would not encourage restructuring, that the local departments of national education would look on with an unfavorable eye and that a check would be carried out at the higher levels. They are beginning because they understand that loss of the school for adults and its potential is to a certain degree akin to an economic crisis.

The enthusiasts are continuing their struggle. And there is a purpose to this struggle. The expected result of this new innovation—democratization of the system of education, true implementation of its continuity, the liberation of requirements which can be realized in the immediate vicinity of a work area or home and changes in the substance and methods of training which will make it possible to convert over from knowledge to reorganization in a high quality manner.

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## ORGANIZATION, PLANNING, MANAGEMENT

**Current Priorities in Electro-Technical  
Machinebuilding Outlined**  
*18230003 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 13 Aug 88 p 2*

[Interview with Yevgeniy Georgiyevich Orlov, chief of the Main Scientific and Engineering Administration of Minelektrotekhprom, by V. Vasilyeva: "The Scale of Priorities"]

[Text] As is known, problems of structural and investment policy in machinebuilding were reviewed at the start of July during a meeting of the CPSU Central Committee. We are talking about the necessity for concentrating efforts and resources, during the time remaining before the end of the five-year plan, on the tasks most important for the national economy. How is this decision being put into practice? Our correspondent V. Vasilyeva talks about this with Ye. Orlov, chief of the Main Scientific and Engineering Administration of Minelektrotekhprom [Ministry of Electrical-Equipment Industry].

[V. Vasilyeva] Yevgeniy Georgiyevich, it is well known that our branch is producing output of the broadest range—from bulbs to electric locomotives. It is not easy to determine priorities. What principles guide you in choosing the main areas?

[Ye. Orlov] It must be said that we perceived the necessity for such a choice back at the end of last year. It was exactly when the ministry created a working group which was engaged also in a review of the products mix of the industry's output. And it consolidated more than 120 line items alone. The institutes were charged with studying trends in world development and the interplay of forces of the international market and with making substantiated forecasts. A survey of customers was made, and checks were made on previously assigned goals for raising the engineering level of machinebuilding output. And, as a result, the 12 most important areas which are to be developed especially intensely in coming years were defined. There is one principle here—maximum effort and attention to developments which foreordain sharp qualitative changes both within the industry and on the part of the customer.

These are primarily lasers, plasma torches, power-type semiconductor devices, and optical-fiber cable. Also among the priority items are equipment for nontraditional power-engineering sources—small GES's and tidal, wind and solar electric-power stations. We are especially singling out also such problems as the use in electrical equipment of high-temperature superconductors, the supplying of electrical equipment with microprocessor technology, and in-house machine-toolbuilding.

[V. Vasilyeva] Operations in "breakthrough" areas will require additional financing. And your money for the five-year plan has not been augmented. Where will you get the funds?

[Ye. Orlov] Not only were our funds not augmented but Gosplan did not even allocate those called for by the five-year plan to begin with. There is but one way out: a redistribution of capital investment among the facilities under construction.

The construction deadlines at 15 facilities have been moved back, and the funds thus released have been directed to the development of nine facilities that are more important today.

[V. Vasilyeva] In brief, while adding one, you strip others. And what is the attitude of those whose money has been taken away?

[Ye. Orlov] Naturally, they are displeased. But what are you to do? If you give everyone a little bit at a time, we shall never get rid of the leveling process and we shall not ensure the development of priorities. This has to be explained to people. Moreover, we are talking about centralized funds. They are intended primarily for production facilities of special state importance. As for the others, today each enterprise should itself earn funds for its development.

[V. Vasilyeva] At the CPSU Central Committee meeting mention was made of the fact that, since the start of the five-year plan, the updating of output has been accelerated three times in machinebuilding. Because of this, the scientific and engineering backlog of accomplished work turns out to have been eaten up. And that means that today the problem is, how can new developments be expedited? What are you doing to make the industry's science more active?

[Ye. Orlov] Our updating of articles right now is going on more intensely. While prior to 1986 it was about 2 percent per year, now, in the first half of the year, it is already 8.6 percent. It is also true that, while previously, innovations gathered dust on the shelves, now production is propping up science. I cannot say that we have completely emptied the shelves, but in order not to slow progress the output of new ideas must be doubled or tripled.

And it is not simply a matter of new things but those which should drive scientific and technical progress in priority areas. Therefore, today, as much as half of all scientific-research and design-testing operations has been concentrated here. At the start of the year we examined the branch's scientific and engineering programs, and we heard the reports of general and chief designers. As a result, more than 30 percent of those that proved to be least promising were shut down. It stands to reason that there were those who were offended, and we are still looking into the complaints. Well, how else can

you press the development of priorities? We are reorienting the funds and people that have been freed to scientific problems that are of decisive significance.

[V. Vasilyeva] The trouble with our designers is that much effort is going into routine work. From this come long periods of development.

[Ye. Orlov] In this regard our branch looks more or less favorable against the general background. In machine-building, where the average capital-labor ratio is 9,400 rubles per person, ours is 10,800. Only the motor-vehicle builders, who have 14,000 per person, are ahead of us.

We are confident that our capital-labor ratio will be raised to 18,800 rubles per person by the end of the five-year plan. But just what is the capital-labor ratio of science? It is primarily the experimental-test base. Capital investment recently was increased sharply here. We, for example, considered it necessary, after eliminating some of the funds from the cable and electrothermal industries, to allocate 259 million rubles to institutes and design bureaus for development of the experimental-test base, 20 percent more than had been planned. Institutes that design equipment for power engineering were provided test equipment best of all. Here the capital-labor ratio reaches 40,000 rubles per person. Some institutes—VNIIElektromash [All-Union Scientific-Research Institute for Electrical-Machinebuilding] and VEI [All-Union Electrical-Equipment Institute] imeni Lenin—have highly automated testing complexes.

Another component of the capital-labor ratio is the equipping of designer and industrial services with automated workplaces. Here you cannot call the situation favorable. In all, 11 percent of all design work is now being done at ARM's [automated work stations].

[V. Vasilyeva] Why are ARM's being introduced so poorly?

[Ye. Orlov] In the first place, there simply are not enough of them. Second, domestic ARM's produced by Minpribor [Ministry of Instrument Making, Automated Equipment and Control Systems] are not reliable and are

scantly provided with programs. We plan to produce ARM's at some of our plants, and right now we are organizing joint production of them with the socialist countries.

[V. Vasilyeva] How is the conversion of scientific organizations to economic accountability influencing the control of scientific and engineering progress?

[Ye. Orlov] It is precisely in economic accountability that we see one of the paths for raising the output of the scientific product. And our hopes have been justified. Previously, growth was 2-3 percent per year. And now the result is incommensurable—some institutes, particularly VNIIETO [All-Union Scientific-Research Institute for Electrothermal Equipment], this year have increased the amount of in-house work 1.6-fold! And this during a sharp reduction of centralized financing. The lion's share of growth was obtained through contract work. However, it must be borne in mind: economic accountability compels—and this is completely natural—that the most profitable work be undertaken. The danger arises that searches for profits can lead scientists away from areas that are in the vanguard. How to motivate them, how to direct them to the main line? Without waiting for the general statute on the state order in science, we ourselves established this year for a number of institutes such an order for the most important, priority work. Centralized grants were given under them. An average of less than 30 percent of all the work is done under a state order.

I cannot assert that the industry has already fine-tuned the mechanism for controlling scientific and engineering progress. But the approaches to creating the mechanism have been planned. We are proceeding from the fact that the ministry has, in its present state, at least decided to name an industry staff that does not yet exist. Today it is a conglomerate of administrations, each of which is engaged in its own business, which does not always correlate with the final goal. The task consists in uniting them under one flag. For this purpose, a unified data bank is being established at the industry's computing center, on the basis of which a specially organized working group will begin to generate a unified engineering-economics strategy for the industry, taking engineering forecasts into account.

## RAIL SYSTEMS

### Transshipment Problems Examined

18290001a Moscow GUDOK in Russian 23 Aug 88 p 1

[Interview with G. Komarov, deputy chief of the East Siberian Railroad, by V. Seseikin, GUDOK correspondent; first paragraph is GUDOK introduction]

[Text] Each year with the arrival of summer the Lena transport hub becomes the subject of increased attention by numerous ministries and administrative bodies. Here is the present one, which according to all forecasts has promised high quality transshipment of goods—navigation began earlier than usual, the fleet was at the berths, and water was in the Lena—however, again they will not manage without a mess. Hundreds of cars have piled up on the railroad—2,230 for Osetrovskiy Port alone. Most likely, groups of travellers from all of the country's ports will land here just as in past years. It will be necessary to save the transshipment point again. There will be problems again. G. Komarov, the deputy chief of the East Siberian Railroad talks about them with V. Seseikin, our correspondent.

[Seseikin] This system testifies to one thing: The causes, which give birth each season to the storming of the Lena hub, are not being eliminated. It was not for nothing, evidently, that V. I. Vorotnikov, Politburo member and RSFSR Council of Ministers chairman, visited here this spring. He familiarized himself with the situation and listened to a number of directors, including you, Gennadiy Pavlovich. About what did you talk, if it is no secret?

[Komarov] We talked at that time about the additional steps that had been taken this year. We raised questions without whose solution—we are deeply convinced—the "Lena knot" cannot be untied. These included the final stage in the reconstruction of the Tayshet-Lena railroad line.

In addition, they began to organize this year direct rights-of-way destined for Yakutsk and Lensk. This permitted transshipping using the direct railcar-vessel version to be guaranteed immediately with the opening of navigation. Direct consists arrived at the new station in the hub—Portovaya. They are now processing trains for BAM [Baykal-Amur Mainline] at the Lena-Vostochnaya Station. This has permitted up to an additional 1,200 railcars for the port to be accommodated. These and other steps have permitted an unloading level higher than before to be guaranteed.

[Seseikin] However, you see, it is possible to increase rates by reducing transport in covered railcars which are a genuine disaster. Hundreds of people are required for their handling.

[Komarov] Unfortunately the volume of shipments in containers is growing very slowly. Only a third of the 100 docks are open for the reception and handling of average

tonnage vessels and only seven—for large tonnage ones. Moreover, the consignees on the spot are not prepared for these shipments. This problem has become the main brake to our and the river workers' acceleration. And how is the expensive refrigerator consist being used? There are schedules and calendar plans developed in the steamship company. But in fact, each refrigerator section stands idle for 200 hours and more. This year, the Ministry of the River Fleet has acquired independent refrigerator railcars and installed them on barges. This, however, is not completely solving the problem.

[Seseikin] You see, however, the Lena hub is not only a transshipment point; it is the outlet to BAM which is developing the oil and gas rayon. Recall that during a recent meeting of the party gorkom, in which the directors of numerous transport enterprises, builders, oil workers, and prospectors participated, they even talked about designing dams to raise the water level in the Lena. Very experienced railroad surveyors objected—this represented hundreds of millions of rubles of expenditures with an unknown benefit. Many supported the idea of building a new railroad branch to the north. The surveyors, river workers and lumber-jacks—all said that rails to the north were necessary ....

[Komarov] This is a long-term question. Let us look at what we have here today and what we have reported to the chairman of the republic's Council of Ministers. The construction of the second line over its entire distance from Tayshet to Lena—more than 700 kilometers—is being completed this year. A modern electrified mainline has been born as a result of many years of work. Based on its technical equipment, it somewhat exceeds the main Transiberian route. For example, all switches are electronic digital ones. The length of the station rights-of-way are 1,080 meters everywhere. The Tayshet-Lena line has played an important role in the development of the industrial and energy complexes of Bratsk and Ust-Ilimsk. A large reserve carrying capacity has been created for BAM, the key to which lies in solving the Osetrovskiy problems. The expansion of the hub is sharply lagging behind requirements.

[Seseikin] Remember that it was proposed to invest almost 200 million rubles in its development. It began simultaneously with the building of BAM. Such allocations are understandable. These insure the vital activity of the enormous northern region. However, the hub itself was squeezed into the narrow Lena valley. This demanded considerable assets for demolishing and moving housing and the old main right-of-way, constructing new stations and port cargo areas, etc. By the beginning of this year, 119 million rubles had already been invested in reconstruction. What is the return from these enormous assets?

[Komarov] We are concerned about this most of all. The cargo handling volume must grow fourfold by the end of the five-year plan and later. The trouble is, however, that the station has still not received a significant increase in handling capabilities.

[Seseykin] We have repeatedly heard that, since BAM has emerged as the customer for the expansion of the hub and the reconstruction has taken place under the title of new construction, the BAM people—not wishing to bother themselves with the work “under the wheels” under the conditions of the existing station—have preferred that these assets be spent on new construction in the vicinity of Lena-Vostochnaya, Yakurim, and other stations. Is this so?

[Komarov] Lena is being built up as a strong classification yard for BAM. It is planned to complete all of the work in the hub's development by 1992. The USSR Promstroybank [Industrial Construction Bank], however, has suggested that this timeframe be reduced by two years. This means that it will be necessary to assimilate approximately 30 million rubles a year here.

[Seseykin] Evidently because BAM must become operational next year and the builders must eliminate all substandard work by 1990. It is doubtful that the Lenabamstroy Trust will be able to assimilate such a sum for the hub alone in two years. It has enough of its own troubles with construction starts. You see, it is necessary to construct a modern classification yard and park for receiving trains at the station. The millions already invested will not provide any real return, of course, without these.

[Komarov] During previous years, the allocations according to this title list have been reduced by 10 million rubles. The ministry reconfirmed this in February of this year. New instructions, which require a further reduction in the price of the project, are arriving. The designers, builders and railroad workers have met here. They have examined the situation and are convinced that it is impossible to complete the reconstruction by 1990. That is why we convincingly asked Vitaliy Ivanovich Vorotnikov to retain the timeframe that is provided for by the plan for completing the construction without tying it to the starting deadlines of BAM.

**BAM Route Passenger Traffic Detailed**  
*18290001b Moscow GUDOK in Russian 23 Aug 88 p 2*

[Article by V. Chalyy, chief of passenger services: “A Prisoner of the Plan or Why Passenger Facilities Are Very Poor on BAM”]

[Text] Specialists have calculated that each inhabitant in the BAM [Baykal-Amur Mainline] zone will make from four to eight trips a year. More than 60 trains—long distance, local and suburban—are already traveling on the Baykal-Amur Railroad that is being built. The plan for the third year of the five-year plan was fulfilled ahead of time, by the opening of the 19th All-Union Party Conference, based on passenger traffic and other indicators.

However, something which it is not very pleasant to talk about lies behind the overall prosperity: Passenger services leave much to be desired. There are violations of labor and technological discipline by the workers in passenger facilities. The poor preparation of consists for a trip and their slovenly external appearance are causing dissatisfaction in the people. At times, you cannot discern under the layer of soot what color the railcars are even on company trains and you do not want to look through the cloudy windows. There have been cases when our consists were rejected at the capital's terminals—so that the picture of cleanliness and order would not be spoiled by their appearance.

The reason for many of the shortcomings is the absence of a passenger railcar equipment base and the lack of elementary working and living conditions for its workers. Only small crumbs from the billions of allocations to construct the mainline have gone to passenger car facilities, and their workers have been “forgotten” during the designing of housing for railroad workers. This has given birth to personnel problems.

Who will service passenger trains where and how? What kind of railcars and electric and diesel trains will travel on BAM? Under what conditions will the rolling stock be prepared for trips over a nonstandard right-of-way? These and other no less important questions have not been reflected either in preliminary or in adjusted technical designs. Our suggestions have remained on paper. You see, however, the situation becomes more and more complicated with each year. Passenger traffic volumes are growing more rapidly than the population in the BAM zone. With a 1.2-fold increase in population, passenger traffic volume increased 3.3-fold during 1981-1985. As research by the Giprotransstroy [State Transportation Construction Design Institute] of the Khabarovsk Institute for Rail Transport Engineers and Road Specialists has shown, this rate is growing manyfold in connection with the industrial development of the BAM zone.

The forecast for the future is as follows: In 1990 after the start of continuous passenger train traffic over the entire length of the mainline from Lena to Komsomolsk-na-Amur, the volume of passenger traffic will increase threefold when compared with 1985. More than five million passengers will be carried.

How will we service them when today many passenger facility projects are being built using the so-called “stop-gap schedule?” In Tynda, the locomotive cold sediment workshop has been transferred to the passenger car section for temporary operation and the line's base for servicing passengers and its baggage section have been placed in hangars. There is still no track for heated winter sediment (it has just been included in the BAM title list) and the uncoupled repair of passenger cars. In Severobaykalsk, a former locomotive depot of the shed type, which had belonged to the builders' temporary operations department, is being used as a repair and

servicing point. In Ural, the preparation and technical maintenance of passenger trains is being done at the PTO [technical servicing point] base.

Let us say right out that the situation is disastrous. The leading designer—the Mosgiprotrans [Moscow State Transport Design Institute]—is not thinking about locating in the Tynda hub a repair and servicing depot, a rail car washing complex (that is why “unwashed” trains travel to Moscow!) and a dining car preparation base, which are so needed by us. The institute's specialists quote the plan, which was approved in 1974 and which provided for the travel of through trains of other roads over BAM. They say, let the directors of the neighboring railroads have the headaches. You see, however, much has changed during the 15 years: The mainline has become an independent railroad. Contrary to the obsolete plan, local, suburban and long-distance trains made up by it travel over it. It is time to make an adjustment in the previous plans.

The builders are also adding to the difficulties. They are not even coping with what has been written in the plan. The unused balance of assets for passenger facility projects was 16.6 million rubles at the beginning of this year. As is clear from their plans, the builders will assimilate 4.2 million rubles this year, but when will they assimilate the remaining 12 million plus ?!

The acceptance of the road for permanent operation is planned for next year. Will the terminals in Severobaykalsk, Taksimo, Kuanda and other BAM stations be ready by that time? The water supply lines in Taksimo, Chara, Fevralsk and Zeysk and the passenger platforms on the Angarakan-Chara and Zeysk-Tungala sections are questionable.

I am not talking about those projects which are not included in the underway complexes, for example, the passenger car PTO and washing and chemical cleaning facilities at the station of Tynda, etc. It will be difficult to insure the normal servicing of passengers without them.

The road's specialists, of course, have developed a plan for concrete steps to organize passenger traffic over the entire length of the road from Lena to Komsomolsk-na-Amur and have determined the structure and rates of passenger traffic. However, there are questions that the road cannot solve itself. Thus, it is necessary to review and approve a structure for long distance passenger traffic in this important region in connection with the start of continuous passenger train movement on the Baykal-Amur railroad in order to guarantee direct rail connections between the BAM zone and the country's center, south and west during coming years.

The second task is more complicated: It is necessary to calculate the remaining balance of BAM's estimated costs in accordance with the adjusted detail design and, by redistributing assets, insure the designing and construction of such projects as the first phase of the

passenger technical station with a repair and servicing depot at the station of Shakhtaum (Tyndinskiy hub); repair and servicing points at the stations of Fevralsk, Chara, Zeysk, and Taksimo; a PTO for passenger trains; a line base; an administrative and living complex for the conductor reserves; etc., within the next few years.

I understand that it will be difficult to find assets for all of this because the road's other services have their own primary projects that have “fallen out” of the plan. There are many other discrepancies. The question of building dining car and diesel and electric train trip preparation points is not being resolved and is still not even being discussed. However paradoxical it is, they are even absent in the plans for the powerful depots that are being built.

We do not see a solution to another problem—the manufacturing and delivery to the road of rolling stock designed for northern operations to support suburban traffic. Here is a fact that does not lend itself to any sensible logic: The detailed design provides for suburban traffic using ... railway motor car!

It is still not too late today to return to the solving of these problems. You see, the construction of road projects in accordance with the BAM and AYaM [Amur-Yakutsk Mainline] will be extended. This means that there is an opportunity to “correct” passenger facilities. One cannot economize in transporting people—it is hardly necessary to prove this to those working in rail transport.

#### **Shortage of Passenger Cars Discussed**

18290003a Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 13 Aug 88 p 1

[Article by M. Kaganskiy: “Is There No Extra Ticket?”; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] This sacramental question, which is usually heard near a theater entrance, changes its address in the summertime and moves closer to the rail terminal entrance. Thousands of passengers besiege railroad ticket offices. As before, tickets are a problem. The reasons are many.

As is known, a chain is no stronger than its weakest link. The thread, which connects planning with its results, has become quite thin over the decades. According to Ministry of Railways estimates, the shortage of passenger cars will exceed 16,000 by the end of the present five-year plan. A third of the existing pool has been in service for more than 20 years and is practically unfit for carrying passengers.

A. Samoshenkov, chief specialist in the USSR Gosplan transport department, has explained the situation, which has taken shape, by the chronic shortage of capacities. I.

Bespallyy, a subdepartment chief in the capital investment and machine building development department, believes that there was a surplus of these capacities at one time. There simply were no orders for cars. Neither the Ministry of Railways nor Gosplan looked ahead.

Our domestic passenger car building (incidentally, like all transport machine building) has now found itself seemingly in a trap. Checks show that the actual load level on many machine building enterprises is quite a bit lower than the ministries are prophesizing, for example, in that same Kalininskiy Railcar Building Plant. The enterprise is working with one shift, labor there is basically manual, and there is little equipment. With such a state of affairs, it is necessary to talk not about a shortage of capacities but about their disgraceful use which is ruinous for the country.

An especially serious situation is taking shape in suburban communications, to whose share more than three-quarters of the volume of passenger traffic falls—and it is not decreasing: New sections are being electrified, gardening and dacha cooperatives and tourism are being expanded, and the service area is being promoted. Deliveries of rolling stock, however, are falling. The shortage is 4,300 cars for electric trains during the current five-year plan.

A decision has been made to purchase suburban cars through imports. The foreign partners are agreeable. The USSR Council of Ministers has commissioned Gosplan four times to solve this question. However, it still remains open. The plans, which the Ministry of Railways and the Ministry of [word missing] Machine Building have coordinated for modernizing electric rail cars and units, are being disrupted. The railroad workers' appeals to the Ministry of Electrical Equipment Industry about developing a base for electric locomotive construction remain unanswered.

Let us suppose, however, that a miracle is performed and everything that has been planned becomes a reality. Even in this case, the passenger will suffer because it is planned to "saturate" the park with general and reserved seat cars and by no means with comfortable ones. Fourfold-fivefold more sleeping cars are now required. The requirement for them will grow with the increase in prosperity. This, however, is not being taken into account.

A special purpose complex program for strengthening the material and technical base of passenger rail transport and subways during 1987-1990 was developed two years ago. Twenty good ministries and all of Gosplan's departments agreed to it. They even approved it in the USSR Council of Ministers—in words. The draft lay for half a year awaiting a session of the Presidium of the Council of Ministers; however, they did not review it.

It looks like no one except the railroad workers and passengers is disturbed by the alarming situation. On the steel mainlines, they think that passenger traffic is a subject of enormous social importance. It has been included in the state order. However, not a single ministry connected with the material support of this traffic with machinery, equipment and linen has counted its state order as a worthy one. Is it possible to expect good results with such an attitude? They are introducing 24- and 25-car trains on swamped lines and they need more powerful locomotives. There are not enough special passenger cars and it is necessary to use freight cars which are also in short supply.

You see, however, the directing agencies' decree on measures to further improve and strengthen the material and technical base of rail transport during 1986-1990 provided for the expansion of electric locomotive construction, but it has not been carried out.

The Novocherkasskiy plant submitted to Gosplan in March of this year a proposal for the accelerated building of modern locomotives. The essence of the proposal lay in coordinating the building of diesel and electric locomotives, unifying common machine building units, and all interested departments and enterprises directly participating in financing. This proposal is still in the—as they say—"marinade."

Life suggests quite a few similar nontraditional solutions. For example, tourist organizations are agreeable to allocating assets for the designing of special railcars and their manufacturing. This is a future source of money. It is known that the railroads are not satisfying the demand of foreign tourists for trips about the country. Instead of receiving money from them, it is necessary to refuse it.

The oil-industry workers are prepared to help with finances and equipment. They have agreed to equipping passenger cars for the delivery of their workers to the oil and gas deposits, outfitting them with air conditioners, leasing cafe cars, and organizing services. The enterprises of a number of other branches in heavy industry have agreed to manufacture cars with improved comfort.

The production of railcars and locomotives, however, has become a monopoly. The negative consequences of this are visible to the naked eye. You see, there are real conditions for creating socialist competition.

Cost accounting forces one to think about money. It is no secret that many consumers have already rejected expensive and poor quality products—combines, tractors, locomotives, and motor vehicles. It cannot be ruled out that other manufacturers will search for profitable orders, change the types of production and move away from narrow departmental canons under these conditions in order to avoid bankruptcy.

Why should we not submit an order for railcars and locomotives to different branches? A genuine and state one, on a competitive basis as the Law on a State Enterprise provides. Such solutions do not require additional assets but "extra" organizational trouble for—as they say—the same pay.

The draft of a state program for the railroads' technical re-equipping and modernization during 1991-2000 is now being worked up. An extremely modest place is again being devoted in it to the expansion of our domestic locomotive and railcar construction. Perhaps the problem of an "extra ticket" will become even more acute.

**Work on 2TE-Series Locomotives Continues**  
*18290003b Moscow GUDOK in Russian 13 Aug 88 p 1*

[Interview with V. Anikin, machinist instructor, by A. Tretyakov, GUDOK correspondent; first two paragraphs are GUDOK introduction]

[Text] GUDOK has repeatedly addressed the problems with building the 2TE121 locomotive in the Voroshilovgradteplovoz [Voroshilovgrad Diesel Locomotive] Association. The association recently held a regular interdepartmental meeting. USSR Gosplan representatives and Ministry of Railways and Ministry of Heavy and Transport Machine Building deputy ministers participated in it. "Testers" from Pechora, where the engine is being broken-in, were also invited.

A. Tretyakov, our part-time correspondent, has met with V. Anikin, a machinist instructor from the Pechora depot who had participated in this meeting.

[Tretyakov] Vitaliy Mikhaylovich, you have repeatedly had occasion to visit the association. What new have you seen this time?

[Anikin] In Voroshilovgradteplovoz, they have finally begun—although slowly—to turn their attention to new equipment. The reconstruction of shops for producing 121-series machines is underway. Improvements in technology are being provided for.

[Tretyakov] I recall that the association was in no hurry to eliminate deficiencies in diesel locomotive assemblies.

[Anikin] Cost accounting has urged them forward and the work has progressed more rapidly. In a financial respect, you see, the association has run aground and has begun to drag out the modernization of the new engine unprofitably. Meanwhile, they have transferred several diesel locomotives to the Donets Railroad, but modernization is continuing for northern conditions. In particular, the location of the storage batteries will be changed. We suggested this long ago. Additional reservoirs will be installed in each section to increase the compressor's productivity. Moreover, the compressor is now being

supplied with an electric drive. The plant workers promise that these proposals will be implemented with the 40th numbered machines. We are in no hurry. Let them do everything necessary so that we do not have to modify them again later. Incidentally, we reported three years ago that we would begin to "break" trains if the compressor problem was not solved. So it happened. A total of 13 breaks were recorded last year alone. The plant workers escaped with a reply written only for form's sake. They finally directed their attention to the batteries. There is a desire to reject batteries sent from Leninograd. Voroshilovgrad itself manufactures alkaline batteries. They would like to use them on the machine.

Quite a bit of time has been spent on arguments about the traction drive—this is the number one problem as before....

[Tretyakov] I know, you have repeatedly pointed out that the root of the trouble does not lie only in the equipment's failure to perform its task....

[Anikin] They are still listening poorly to those who operate the machine. I am convinced that we need diesel locomotives produced in two variants—a northern one and a southern one. A diesel locomotive operates successfully in Popasnaya on the Donets and gives interrupted service in Pechora and Vorkuta; however, the Ministry of Railways stubbornly adheres to the idea of the universality of a locomotive. I think that our argument should be resolved not in the silence of Moscow offices but where the locomotives are directly being operated. The time has already certainly come to manage without numerous mediators and to think about direct railroad-plant ties. It is time for us to work, for us to purchase, and for us to order.

I visited Popasnaya after the meeting. I saw an entire mountain of rotational speed regulators in the fuel equipment shop. They are being used on both the 116 and 121. The assembly is clearly a sorry one. The specialists in Popasnaya criticize these regulators as desperately as our repair personnel. One can only repair them on stands and it takes two people to remove them from a diesel locomotive. At the same time, there are completely decent 10D100 regulators which are being used on "ten" diesel locomotives.

When I talked about this to the leading specialist in the technical department of the Locomotives Main Administration, I heard in answer: "Don't get into design. That is our business."

If it is necessary to talk only about responsibility for the task entrusted, who is personally responsible in our main administration for the wrecking of the tests of the 121? No one. During what year are not some of the two dozen new (yes, new!) series diesel locomotives being repaired

in the plant and others standing idle in the depot broken down. At the most, five-seven locomotives are operating. No one wants to take upon himself the responsibility for this.

Electrolyte escapes because of deficiencies in the design of the storage batteries and this causes a short circuit to the housing. According to 30-year old instructions, a leakage of no more than 12-18 volts is allowed, but here they are 50-60. There have not been any excesses because of this during the five years of operating the 121's. The instructions, however, are in effect and the engineers refuse to move. Practically speaking, a healthy diesel

locomotive travels for hundreds of kilometers for repairs. Long ago, I talked about reviewing the obsolete instructions but everything remains as before.

[Tretyakov] Nevertheless, Vitaliy Mikhaylovich, despite the difficulties, what are the prospects for the "new-old" diesel locomotive?

[Anikin] The locomotive can and must be brought to series production. Incidentally, they simply talked about this at the meeting. However, bold ideas are required and personal responsibility is needed. New and even more powerful 2TE126 and 2TE136 are now being designed and with the same deficiencies that are in the 121.

10

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